2000 ANNUAL REPORT

MDC CORPORATION INC.

LEADERSHIP IN BUSINESS SERVICES

Consolidated Financial Summary

(in thousands of Canadian dollars, except per share amounts)

For the year ended December 31	2000	1999*	% Change
Sales	1,166,782	828,449	+ 41
Operating income	126,781	115,647	+ 10
Income before income taxes, goodwill charges and minority interest	64,623	45,499	+ 42
Cash flow from operations	109,683	69,735	+ 57
Net income for the year	41,282	23,007	+ 79
Earnings per share			
Income before goodwill charges and minority interest			
Basic	3.09	1.70	+ 82
Fully diluted	2.56	1.49	+ 72
Earnings per share			
Net income			
Basic	2.26	1.19	+ 90
Fully diluted	1.92	1.10	+ 75
Cash flow per share			
Basic	6.20	3.82	+ 62
Fully diluted	4.95	3.14	+ 58

For the three months ended December 31	2000	1999*	% Change
Sales	324,717	249,194	+ 30
Operating income	35,411	30,109	+ 18
Income before income taxes, goodwill charges and minority interest	12,937	11,398	+ 14
Cash flow from operations	36,497	20,202	+ 81
Net income for the period	11,350	6,488	+ 75
Earnings per share			
Income before goodwill charges and minority interest			
Basic	0.88	0.47	+ 87
Fully diluted	0.72	0.41	+ 76
Earnings per share			
Net income			
Basic	0.64	0.34	+ 88
Fully diluted	0.54	0.31	+ 74
Cash flow per share			
Basic	2.12	1.11	+ 91
Fully diluted	1.67	0.90	+ 86

Condensed Consolidated Balance Sheet

(in thousands of Canadian dollars)

As at December 31	2000	1999*	% Change
Cash and cash equivalents	61,031	35,308	+ 73
Other current assets	246,353	214,549	+ 15
Other assets	800,066	656,467	+ 22
Total assets	1,107,450	906,324	+ 22
Current liabilities	250,979	197,624	+ 27
Long-term indebtedness	558,622	487,314	+ 15
Future income taxes	20,645	—	N/A
Minority interest	25,356	6,022	+ 321
Shareholders' equity	251,848	215,364	+ 17
Total liabilities and shareholders' equity	1,107,450	906,324	+ 22

* The comparative figures have been reclassified to conform to the current year presentation.

THE MDC GROUP OF COMPANIES

Leadership in Business Services

MDC Corporation Inc. is an international business services organization providing business-to-business services, Internet-based services and business-to-consumer services through two distinct divisions: Secure Transactions and Marketing Communications (Maxxcom Inc.).

Secure Transactions

- **Cards**
- **Cheques**
- **Stamps**
- **Tickets**

Maxxcom Inc.

- **Integrated communications**
  Multi-disciplinary marketing services
- **Specialized communications**
  Individual marketing services

MDC 2000

OBJECTIVES

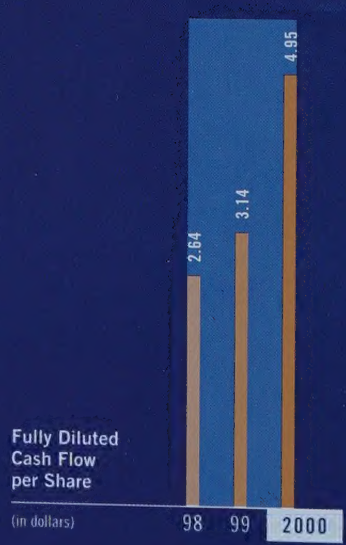
Increase shareholder value by building companies that are recognized by the financial markets for their inherent net-asset value.

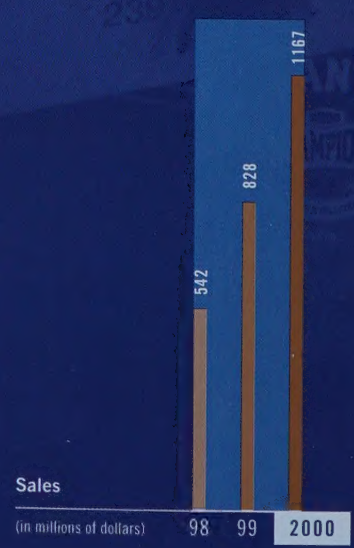
Maintain the profitability and longevity of our traditional legacy businesses so they continue to serve as the foundation of our growth strategy.

Build the critical mass of our emerging and new economy business services companies.

Complete Maxxcom's IPO in the first quarter of 2000 to leverage its market value and ensure the company is well funded for future growth.

Drive earnings and growth in anticipation of a divestiture that realizes Regal's market value.





RESULTS

Fully diluted earnings per share rose to $1.92 from $1.10, an increase of 75%.

Strong revenue growth experienced by Canadian and U.S. cheque operations continued to support growth strategy.

Metaca and CyberSight experienced solid revenue growth. Capitalized on the monetization opportunity with respect to the sale of Optus and enhanced Metaca's client base through its strategic alliance.

Maxxcom's IPO on March 23, 2000 raised $62.4 million, strategically positioning it for growth. Maxxcom acquired nine new partner firms in 2000.

Regal's divestiture was delayed to allow Regal to grow revenues, and focus on critical success factors to better position it for sale in 2001.

2001

2001 Objectives

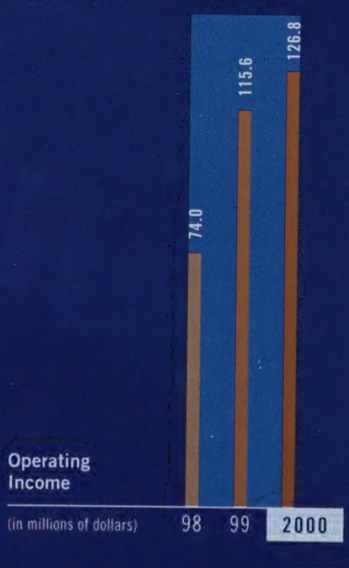
Continue to drive revenue and earnings growth in our market-leading traditional legacy businesses.

Extend services capability and scale relating to our major business units through accretive acquisitions.

Continue extending our electronic commerce capabilities in both our traditional legacy businesses as well as in our emerging businesses.

Manage ownership positions in business units to maximize MDC's share value.

Complete divestiture of Regal.



Report TO SHAREHOLDERS

As we complete our second decade in business, MDC has continued to move forward with record revenues and earnings. In 2000 we continued to concentrate on the primary goals set two years ago: to leverage off our platform of legacy assets in the Secure Transactions division and pursue opportunities in the complementary technology-based markets of the new economy; and to unlock the shareholder value of Maxxcom through an Initial Public Offering. We achieved fundamental progress on both fronts during fiscal 2000.

It was also a year in which we added new clients, further secured our long-standing business relationships with institutional customers, and delivered more innovative products and services to MDC's extensive global customer base.

Results were very positive: Revenues rose 41% in 2000 to $1,167 million from $828 million in 1999. Net income rose 79% to $41.3 million from $23.0 million in the previous year. Fully diluted earnings per share gained 75% to $1.92 from $1.10 generated in the prior year.

The Secure Transactions division is built around the engine of revenue and cash flow that is Davis + Henderson and its U.S. subsidiary Custom Direct. Davis + Henderson continues to serve Canada's financial institutions with distinction, delivering premier cheque products and services, while generating superior economics.

An innovative marketing campaign and the introduction of new products initiated by Davis + Henderson in 2000 led to a significant increase in revenues. For example, the company expanded its business service offerings to financial institutions with the introduction of e-switch, a program whereby pre-authorized items for new bank account openings are electronically established. In addition, Click Custom Mail is Davis + Henderson's online direct mail application that offers small businesses a wide range of direct marketing services at affordable prices.

In the U.S., Custom Direct, MDC's direct-to-consumer cheque business, has emerged from competitive price wars to become a stronger, more focused and more efficient operation. It has aggressively regained lost market share and has successfully pursued alternative customer acquisition strategies. For example, Custom Direct grew customer visits on its Web sites to more than a half-million per month in 2000 and, through its 4checks.com Web site, the business is now averaging in excess of 30,000 orders per month over the Internet.

Migrating into the new economy is not without its challenges. Business transformation inevitably requires heavy investment spending and in the year 2000 MDC spent in excess of $20 million on such initiatives. The divestiture of Optus Corporation in late 2000 and the revenue growth anticipated from the remaining investments in Metaca and CyberSight should allow us to attain critical mass and to better absorb investment overhead cost structures going forward. Certainly, the acquisition by Metaca of NBS Card Services, the Canadian card operation of MIST Inc., in early 2001 will advance this process.

"As we move into our third decade in business, we look forward to exploring new and exciting opportunities for growth, which we believe will result in increased shareholder value. At the same time we understand the need to focus on and maintain a strong and stable foundation built around our core businesses."

Miles S. Nadal
Chairman, President
& Chief Executive Officer

"While we expect another year of solid performance, we are cognizant that some market experts have sounded warning bells about the global economy in 2001. In this light, as we always have, we will be vigilant and act prudently in our business decisions. However, we remain very optimistic and are encouraged about the prospects that lie ahead. In 2001, and in years to come, we are committed to exploring the art of the possible as we continue to set the pace for leadership in business services."

EXECUTIVE MANAGEMENT

[left to right]

Walter Campbell
Senior Vice-President, Finance

Peter Lewis
Executive Vice-President
and Chief Financial Officer

Steve Marshall
Executive Vice-President,
Corporate Development

In December 2000, MDC completed the sale of Optus to Symcor Services Inc., a service provider to major financial institutions in North America owned by three major Canadian banks. At the same time Symcor purchased 15% of MDC's Metaca Corporation. In addition, Symcor has an option to purchase an additional 35% of Metaca over the next three years for a combined potential holding of 50%. Metaca and its new strategic partner are actively working together to enhance current customer relationships and seek new opportunities in the North American institutional business marketplace. The card business is strategically aligned with our payment services business activities of Davis + Henderson and is now well positioned for the imminence of the "smart card" revolution. Smart card applications targeted include financial, health, personal information, loyalty and the security of Internet communication.

MDC's Stamp and Ticket Groups continued to focus on cost reductions, while strengthening its market positions in North America, the United Kingdom and elsewhere. The Stamp Group continued to win business during the year in the U.S., England and European markets, including Ireland, the Netherlands, Finland and Switzerland. As well, England's Royal Mail awarded us with half of their pressure-sensitive stamp contract.

The Ticket Group also added more airline ticketing business and revenues in event ticketing improved with contract wins from such popular sports team operations as the San Francisco Giants, the Chicago Bears and the San Diego Padres. The ticket business should provide us with many applications suited to emerging smart card technology and skills already resident within our Metaca business.

In 2000 Maxxcom emerged as one of MDC's prime assets with the successful conclusion of its Initial Public Offering (IPO) establishing the company as the largest full-service marketing communications organization based in Canada. On March 23, 2000, Maxxcom raised Cdn$62.4 million through its IPO, which is an impressive performance given the context of the highly volatile securities markets experienced throughout the year. Maxxcom also acquired nine new partner firms, representing an additional $113 million in annual revenue.

Maxxcom's ability to identify innovative and profitable businesses in the fast-changing marketing communications field, and then to form solid partnerships with them is unique to the sector. In many ways Maxxcom's entrepreneurial approach reflects the same savvy and creative spirit of the companies in which it invests.

Maxxcom is also focusing on its sector's more profitable lines of business, such as direct marketing, public relations and sales promotion, as opposed to traditional advertising, and is achieving excellent results. In addition, Maxxcom took a solid first step into global expansion with the September 2000 acquisition of Interfocus Network Limited, a leading integrated communications company based in London, England. We anticipate that Interfocus will provide a strong platform upon which Maxxcom will be able to seek and further develop client relationships in the European marketplace.

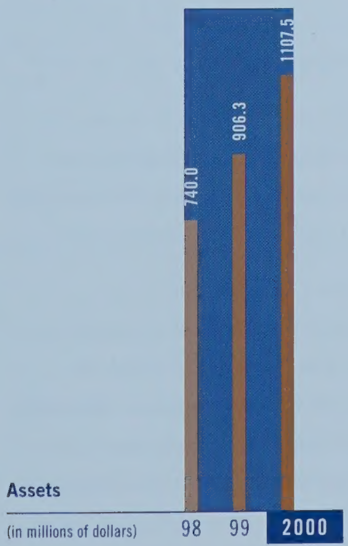
The specialty products direct sales business of Regal Greetings & Gifts continued to grow revenues as it focused on critical success factors such as growing its base of independent sales representatives, rebuilding its management team, tightening inventory management and controls, and enhancing service and delivery. The process of divestiture is underway, and our intent is to apply the proceeds received to pay down MDC's bank indebtedness.

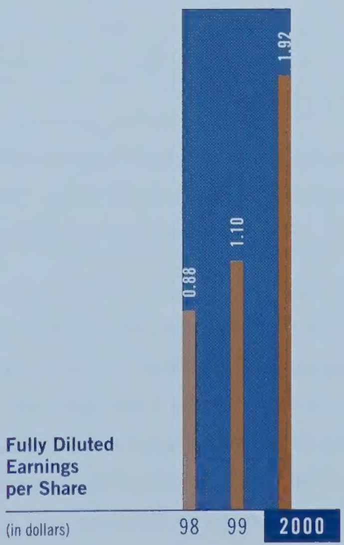
MDC is proud of its many dedicated and talented management and staff. We have considerable bench strength across all our divisions, and we are fortunate to have attracted and retained such talented people in North America, Australia and the United Kingdom. In addition, our board of directors continues to provide us with valuable insights and sound advice to help make MDC a better and more robust Company. I would like to offer my personal thanks and gratitude to the board and to all those who have contributed to MDC's tremendous success in 2000.

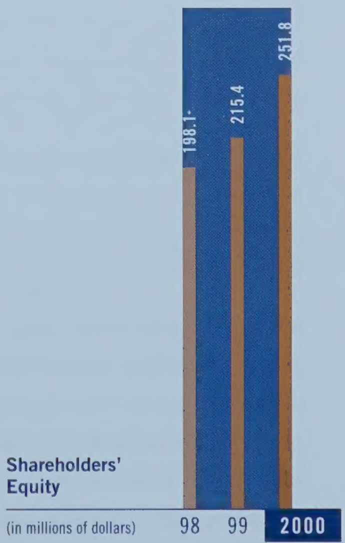
As we move into our third decade in business, we look forward to exploring new and exciting opportunities for growth, which we believe will result in increased shareholder value. At the same time we understand the need to focus on and maintain a strong and stable foundation built around our core businesses. While we expect another year of solid performance, we are cognizant that some market experts have sounded warning bells about the global economy in 2001. In this light, as we always have, we will be vigilant and act prudently in our business decisions. However, we remain very optimistic and are encouraged about the prospects that lie ahead. In 2001, and in years to come, we are committed to exploring the art of the possible as we continue to set the pace for leadership in business services.

Miles S. Nadal

Miles S. Nadal
Chairman, President
& Chief Executive Officer







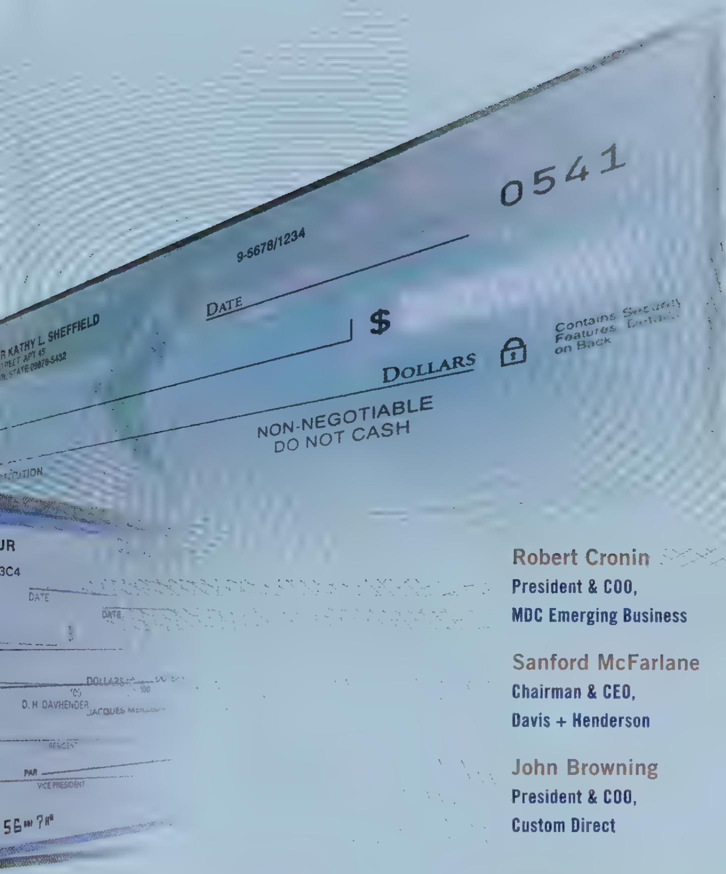
Secure Transactions

Davis + Henderson, MDC's market-leading Canadian cheque business, continued to deliver increased revenues and profitability in fiscal 2000, the result of increases in order volumes in both its business and personal products lines, combined with new marketing initiatives which have increased average order values. Davis + Henderson continues to deliver product and service enhancements with respect to its core-payment products. Examples include the expansion of premium product offerings which provide greater design alternatives and extended security features as product options for consumers.

Davis + Henderson provides a predictable and growing source of earnings and cash flow for MDC. Long-term contracts with all of Canada's major financial institutions provide reliable and stable access to the Canadian marketplace. In 2000, Davis + Henderson extended contracts with several of its major financial institution customers.

The company continues to focus on improving operational efficiencies through plant automation and electronic order entry connectivity with its customers. These upgrades in delivery infrastructure provide not only cost savings, but also deliver significant value to the financial institutions and their customers.

Davis + Henderson's solid, long-term relationships with its customers and proven quality offerings provide the ideal platform for expansion into new valued-added services to Canadian financial institutions and their customers. It has already expanded services related to bank account openings and branch merger activities as well as increased product offerings to the banks' small-business customers. Davis + Henderson continues to seek additional business service opportunities that the company can profitably deliver to its customer base.



Robert Cronin [left to right]
President & COO,
MDC Emerging Business

Sanford McFarlane
Chairman & CEO,
Davis + Henderson

John Browning
President & COO,
Custom Direct

Custom Direct, MDC's direct-to-consumer cheque business servicing the U.S. marketplace, maintained its solid number two position with a 26% market share in a segment that grew approximately 7% last year.

Competitive pricing pressure in the U.S. direct-to-consumer cheque market negatively impacted revenues and operating margins during the first half of 2000. Through product initiatives and operating efficiencies, Custom Direct experienced revenue and operating margin growth in the second half of 2000, and we anticipate this to continue into 2001.

During the year, Custom Direct successfully launched "4checks.com", a Web site address that links nine different Web sites, each offering Custom Direct brands. Consumers can personalize and then purchase their cheques with scenes depicting their favourite sport, hobby, animal, affinity group—just some of the more than 300 designs available online. Last year, Custom Direct was successful in developing key relationships with affinity groups that helped expand its product lines and customer access.

The Internet is an essential component of Custom Direct's electronic strategy. To date, the average revenue per order received through the Internet is greater than our traditional method of obtaining orders, which is through free-standing inserts (FSIs) in local newspapers. In addition, we anticipate that our Internet strategy will not only reduce the cost of acquiring a customer, but also reach new potential customers that currently are not attainable through FSIs. Currently, there are more than 1,400 Web sites with hyperlinks to Custom Direct. In addition, we are using print advertising as the medium to drive consumers to the Internet. Utilization of Custom Direct's main Web site grew rapidly in 2000, with more than 500,000 unique visits per month. In January 2001, the number of visits surpassed 600,000.

In 2001, Custom Direct expects to achieve approximately 9% of its revenues through the Internet and has plans to introduce a number of new products which will be marketed through this medium.

Metaca

Greg McKenzie
President & COO, Metaca Corporation

Metaca Corporation undertook a number of strategic initiatives that helped to solidify its relationships with customers and set the stage for future growth. Metaca remains the leading source for card services in Canada, with a 45% market share. The acquisition of a smaller competitor, NBS Canada, during the first quarter of 2001, will boost Metaca's share of the Canadian card market and provide new service offerings for our customers. Metaca's Australian operation, Placard, remains the second largest source for card services in Australia. It generated impressive revenue growth and profitability during 2000.

Our focus on the delivery of innovative cards and integrated service solutions was rewarded with the retention of valued customer relationships, notably the renewal of the Bell and Telus contracts. In addition, Metaca expanded its customer base into the U.S. with the addition of supply agreements to Barnes and Noble.

The strategic 15% investment in Metaca by Symcor and the associated co-marketing agreement has strengthened relationships within the financial institution segment and improved service capability through integrated and shared source delivery. Metaca's Australian operation, Placard, remains the second largest source for card services in Australia and generated impressive revenue growth and profitability during 2000.

In 2000, Metaca laid the foundation for its next phase of evolution. This included dramatic improvements in core operations that have increased production flexibility, reduced costs, and improved production capabilities. We expect the addition of NBS Canada to further enhance production quality services and operating efficiencies. In addition, our focus on data management capabilities and smart card technology integration services has placed Metaca in a leading position to capture growing demand for innovative, multi-application, smart card solutions.

MDC Ticket Group

The MDC Ticket Group showed strong organic growth in fiscal 2000 with a 24% sales increase at Mercury Graphics Canada, combined with a 6% rise for Spectron, its Australian-based

Security Printing

operation. Mercury is a major ticket supplier to the world's leading airline, sports, entertainment and transit companies. Mercury achieved revenue growth of over 44% in its airline product operations as a result of new business, in addition to an expanded relationship with an existing client, Airlines Reporting Corporation (ARC). In addition, Mercury's event ticketing business grew by more than 13% with new customers including the San Francisco Giants, the Washington Capitals and the Tampa Bay Lightning. Spectron, currently a provider of tickets and passes to the transit industry, is well positioned to capitalize on the emerging, low-cost alternative, global paper Telco card business. The MDC Ticket Group continues to invest in service and operational enhancements designed to retain its leading innovator status, while achieving cost containment and operational efficiencies.

Bill Kerson
President & COO,
MDC Stamp & Ticket Group

MDC Stamp Group

MDC is the world's leading provider of postage stamps. It has established solid, long-term relationships with many of the world's leading postal administrations, including Canada Post, the United States Postal Service, and the Royal Mail. MDC's Stamp Group, through Ashton Potter, its North American-based operation, and the House of Questa, located in Surrey, England, has established its business through the design of innovative products and the delivery of fully integrated solutions.

Our Stamp Group has been instrumental in assisting Canada Post and the Royal Mail migrate their stamp programs to consumer preferred, self-adhesive stamps.

In addition to the renewal of its contract with Canada Post for an additional five years, the Stamp Group expanded its customer base to include Dutch Post, Finland Post, and Swiss Post. We also solidified our industry leading position through the introduction of innovative new consumer products, including personalized postage and self-adhesive stamps. In Canada we partnered with Canada Post to successfully introduce Picture Postage™ to the Canadian public, where customers may personalize their postage stamps with photos. In England we supported the Royal Mail's introduction of similar personalized postage stamps—a product that is expected to generate growth in 2001.

Maxxcom

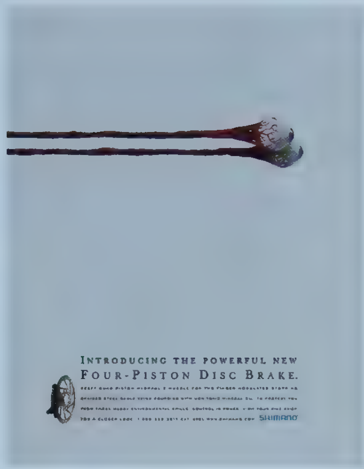
Maxxcom's first year as a public company was a year of great accomplishment from both a strategic and operational perspective. Sales increased 64% to $605 million from $368 million in 1999, and operating income increased 70% to $33.1 million compared to $19.5 million for the same period last year.

Partner firms achieved strong organic proforma growth of 20% at the operating income level in 2000. This strong organic growth reflects Maxxcom's focus on the highest-growth segments of the marketing communications industry, such as direct marketing, public relations and sales promotion, combined with its commitment to acquire entrepreneurial companies with strong proven track records of profitable growth.

The growth of Maxxcom's partners' businesses is the direct outcome of the quality of their work and the results they produce for their clients. For example, Accent Marketing Service's key, long-term client, Sprint, awarded them a significant amount of new work in 2000, a tribute to Accent's direct marketing and customer service capabilities.

New-client business was in abundance for the majority of partner firms this year. Some of the new client accounts brought on board in 2000 include: Kraft, Kellogg's, Toshiba, Syngenta, Verifone, Matchbox, Northwest Airlines, Wal-Mart, and Wyeth-Ayerst Canada, to name just a few.

The marketing communications sector recognizes its "best of breed" through a variety of industry awards. Judging by the fourth quarter alone, partner firms were widely recognized for their innovative work by picking up several prestigious awards. For example, Toronto-based Bryan Mills Group won gold and silver in the National Post annual report awards; the TargetCom Group of Chicago won six direct marketing awards; and CyberSight, based in Portland, took top honours at the Advertising and Design Club of Canada Awards.



Sprint

Cross-selling has become an increasing area of focus for Maxxcom. Previously successful in being assigned many smaller jobs, the first significant cross-selling win was achieved by the TargetCom Group and Accent Marketing Services who were jointly selected by US Cellular for a very large direct marketing assignment.

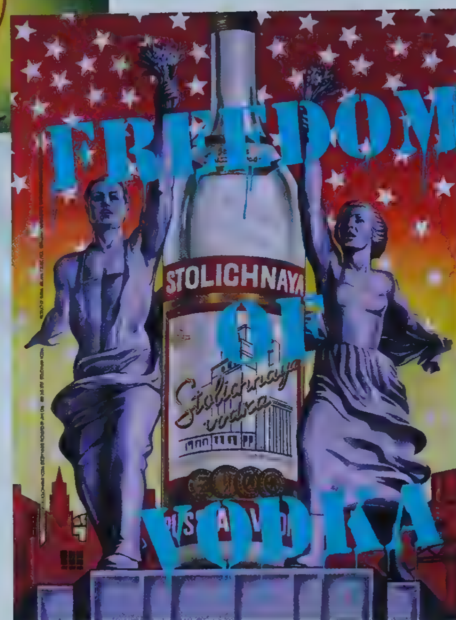
During 2000, Maxxcom completed nine platform and tuckunder acquisitions and notably expanded its global presence with the purchase of Interfocus Network Limited, based in London, England. Early in 2001, Maxxcom invested in the award-winning creative agency Crispin Porter + Bogusky (CPB). Headquartered in Miami, CPB was recently selected by luxury carmaker BMW to handle the U.S. multi-million dollar re-launch of the Mini Cooper.

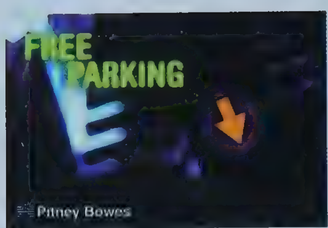
Looking ahead, Maxxcom is carefully pacing its rate of acquisitions in light of what is widely seen by market experts as a softening North American economy, and an anticipated decline in the advertising segment of the marketing communications industry. Approximately 35% of Maxxcom's business is advertising, with the balance derived from "below the line" specialized communications, providing Maxxcom with a measure of protection against potential weakening advertising revenues.

The company will continue to selectively invest in strategic acquisitions with more focus on strengthening the existing partners' capabilities through tuckunder acquisitions.

Maxxcom is very optimistic about its future. We are committed to providing our partners with the resources they require to continue producing the quality of work they are renowned for, and assisting them in growing their businesses.

Beverley Morden
President and CEO

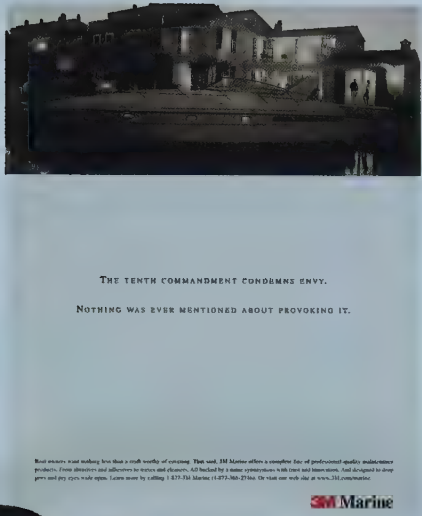




Creative Solutions for Our Clients

Two distinct types of partners make up the Maxxcom portfolio: integrated and deeply specialized. Maxxcom integrated partners offer clients a full range of marketing communications disciplines. Because they offer a full range, the solutions they deliver are client based, not service based. Also, because one firm creates everything, that firm has an in-depth understanding of the client's marketplace, and all work speaks with a consistent brand voice. Maxxcom's specialized partners are fervent practitioners of an individual marketing communications discipline. These firms have a depth of expertise in their respective disciplines that may not be found in integrated firms. These next pages illustrate a sampling of the creative work Maxxcom's partner firms produce and deliver to their clients to meet their particular needs.

- Direct Marketing/Database Management
- Sales Promotion
- Corporate Communications
- Research & Consulting
- Advertising
- Branding & Corporate Identity
- Interactive Marketing



THE TENTH COMMANDMENT CONDEMNS ENVY.
NOTHING WAS EVER MENTIONED ABOUT PROVOKING IT.
3M Marine

just open your eyes!

usbank
FREEDOM
usbank

Schwinn retailer and pick one up. It's easy.
ON THE LIGHTER SIDE OF LIGHT.

Sentinel™ makes it simple to protect a dog.[1] It's proven effective against fleas, roundworms, hookworms and whipworms and it's the number one heartworm preventive in Canada.[2] Sentinel comes in a delicious flavour tablet to help ensure patient compliance, not a messy topical insecticide. And unlike a suit of armour, it's even guaranteed.[3]
Sentinel
The only all-in-one heartworm, flea, and worm protection.
NOVARTIS
For more information please call Novartis at 1-800-387-6325 or visit us at www.novartis.ca.
Sentinel is a trademark of Novartis Animal Health Canada Inc.
PAAB
1 Sentinel is for the control of flea infestations, prevention of heartworm and the treatment and control of hookworm, roundworm and whipworm
2 Based on total units sold January to June 2000, source: InforMedica Vet Inc
3 100% reimbursement guarantee

7.0% alc./vol
VEX
HARD LEMONADE
VEX
HARD CRANBERRY LEMONADE
VEX
VEX
HARD MANDARIN ORANGE LEMONADE

MD&A

MANAGEMENT'S DISCUSSION & ANALYSIS

Contents

Results of Operations

The following table summarizes by division the Company's results of operations for the years ended December 31, 2000 and 1999.

Years ended December 31 (in millions of dollars)	2000	1999	Increase (Decrease)	Increase (Decrease)
Sales				
Secure Transactions	561.8	460.0	101.8	22%
Maxxcom	605.0	368.4	236.6	64%
	1,166.8	828.4	338.4	41%
Gross Profit				
Secure Transactions	300.1	252.2	47.9	19%
Maxxcom	262.5	149.5	113.0	76%
	562.6	401.7	160.9	40%
Operating Expenses				
Secure Transactions	206.4	156.1	50.3	32%
Maxxcom	229.4	130.0	99.4	76%
	435.8	286.1	149.7	52%
Operating Income				
Secure Transactions	93.7	96.1	(2.4)	(2%)
Maxxcom	33.1	19.5	13.6	70%
	126.8	115.6	11.2	10%
Net Gain on Asset Dispositions				
Secure Transactions	24.4	—	24.4	—
Amortization				
Secure Transactions	32.2	27.7	4.5	16%
Maxxcom	7.0	2.9	4.1	141%
	39.2	30.6	8.6	28%
Interest, Net				
Secure Transactions	45.7	39.4	6.3	16%
Maxxcom	1.7	0.1	1.6	1600%
	47.4	39.5	7.9	20%
Income before Income Taxes, Goodwill Charges and Minority Interest				
Secure Transactions	40.2	29.0	11.2	39%
Maxxcom	24.4	16.5	7.9	48%
	64.6	45.5	19.1	42%
Income Taxes				
Secure Transactions	0.4	6.4	(6.0)	(94%)
Maxxcom	8.5	7.1	1.4	20%
	8.9	13.5	(4.6)	(34%)
Income before Goodwill Charges and Minority Interest				
Secure Transactions	39.8	22.6	17.2	76%
Maxxcom	15.9	9.4	6.5	69%
	55.7	32.0	23.7	74%
Goodwill Charges				
Secure Transactions	8.3	7.5	0.8	11%
Maxxcom	3.4	1.5	1.9	127%
	11.7	9.0	2.7	30%
Minority Interest				
Secure Transactions	2.7	—	2.7	—
Net Income for the Year				
Secure Transactions	28.8	15.1	13.7	91%
Maxxcom	12.5	7.9	4.6	58%
	41.3	23.0	18.3	80%

Year Ended December 31, 2000 Compared with the Year Ended December 31, 1999

Total Sales

(in millions of dollars)

Sales by Business Segment

(in millions of dollars)

- Maxxcom Inc.
- Secure Transactions Division

Sales

On a consolidated basis, sales for the year were $1.167 billion, as compared to $828.4 million in 1999, an improvement of $338.4 million or 41%. Year-over-year growth in sales is summarized as follows:

	Increase in Sales
Secure Transactions Division	$ 101.8
Maxxcom	236.6
	$ 338.4

Secure Transactions Division

30% of the increase in sales of the Company is attributable to the Secure Transactions Division. Total sales in this division amounted to $561.8 million in 2000, up $101.8 million or 22% over the $460.0 million in the prior year. The high rate of sales growth resulted in large part from the investments made in our "new economy" businesses, such as Metaca, CyberSight and Optus. Sales at Davis + Henderson ("D+H") were up 12% or $19.4 million resulting from increased production under continuing cheque printing contracts with Canadian financial institutions and new product offerings. Despite competitive pricing pressure, the Company's U.S. direct-to-consumer cheque sales increased by $6.8 million or 6% in 2000 with the implementation of price increases and the successful introduction of on-line cheque ordering via 4checks.com, a Web site that is currently averaging 30,000 orders per month. MDC's Ticket Group also improved revenues by 18% over 1999 through an increase in their market share of both airline and event ticketing. The negative impact of the lower production levels expected by our Stamp Group through the last half of 2000 was partially offset by the revenues from new customer contracts and the introduction of products such as Picture Postage™, a new program launched with Canada Post in the second quarter of 2000.

Maxxcom

Sales of Maxxcom totalled $605.0 million in 2000, up $236.6 million or 64% over the $368.4 million achieved in 1999. The acquisitions completed in 1999 and 2000 combined with strong organic growth fuelled a two-year annual average growth rate of almost 95%.

Gross Profit

Consolidated gross profit was $562.6 million in 2000, representing an increase of $160.9 million or 40% over the gross profit of $401.7 million in 1999. The gross margin percentage was similar to that of 1999 at 48.2% as a result of improved margins in the cheque and ticket operations and Maxxcom, offset by the lower margins experienced in both our "new economy" and stamp operations.

Secure Transactions Division

Gross profit was $300.1 million in 2000, up $47.9 million or 19% over the $252.2 million achieved in 1999. This increase was directly attributable to the growth in sales of the division. Gross margin for the division was 53.4%, down 1.4% from the 54.8% gross margin achieved in 1999. The decrease in gross margin was primarily the result of lower margins of our "new economy" businesses. In 2000, these operations accounted for a larger proportion of the division's sales but have yet to attain the margins traditionally generated by our legacy businesses. The reduced margins were partially offset by the introduction of higher margin products, production efficiencies, and cost reduction initiatives generated throughout the rest of the payment systems business services group.

Maxxcom

Gross profit was $262.5 million, representing an increase of $113.0 million or 76% from the $149.5 million in 1999. This increase was primarily related to the increased level of sales. Gross margins also improved from 40.6% in 1999 to 43.4% in 2000 reflective of the strategic focus on more profitable products such as direct marketing, corporate communications and sales promotion, versus traditional advertising.

Operating Expenses

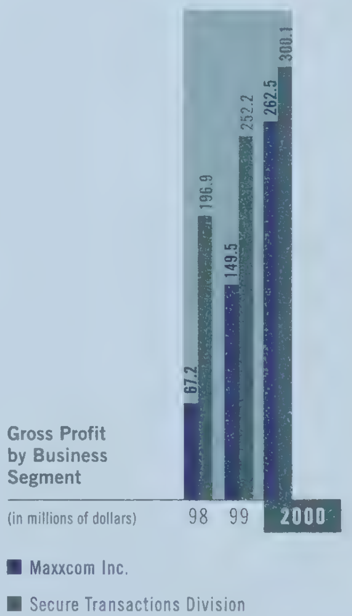
Consolidated operating expenses totalled $435.8 million in 2000, representing an increase of $149.7 million over the $286.1 million in 1999. This increase was attributable to the growth in the Company's sales both internally and through acquisitions. Operating expenses increased from 34.5% of sales in 1999 to 37.4% of sales in 2000.

Secure Transactions Division

Operating expenses totalled $206.4 million in 2000, up $50.3 million or 32% over the $156.1 million in 1999. As a percentage of sales, operating expenses increased to 36.7% in 2000 from 33.9% in the prior year, due primarily to the impact of investment spending in our "e-commerce" businesses together with lower production levels from our Stamp Group.

Maxxcom

Operating expenses totalled $229.4 million in 2000, reflecting an increase of $99.4 million or 76% from the $130.0 million in 1999. Operating expenses increased to 37.9% of sales in 2000 from 35.3% of sales in 1999, as a result of the increased infrastructure of the Maxxcom group of companies.



Operating Income

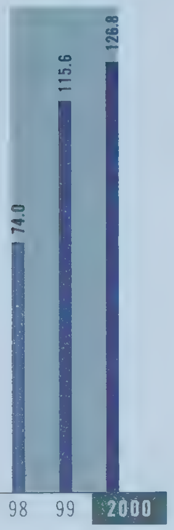
Consolidated operating income was $126.8 million in 2000, reflecting an increase of $11.2 million or 10% over the $115.6 million achieved in 1999. This was attributed to increases in the operating income of Maxxcom of $13.6 million, offset partially by a $2.4 million decrease from the Secure Transactions Division. Operating income decreased from 14.0% of sales in 1999 to 10.9% of sales in 2000. The decrease resulted from reduced margins experienced in our Secure Transactions Division, due primarily to the impact of our "new economy" operations combined with slower production from the Stamp Group of companies, and the proportionate increase of the Maxxcom operations which have traditionally experienced lower operating margins.

Secure Transactions Division

Operating income was $93.7 million in 2000, down $2.4 million or 2% over the $96.1 million in 1999. The decline was primarily attributable to the cost of developing and investing in the "e-commerce" assets of the Company and the forecasted volume decreases of our stamp operations. Operating income decreased from 20.9% of sales in 1999 to 16.7% of sales in 2000.

Maxxcom

Operating income was $33.1 million in 2000, $13.6 million higher than the $19.5 million achieved in 1999. The slight improvement in operating income margin, 5.5% of sales in 2000 versus 5.3% of sales in 1999, was as a result of the higher operating costs experienced being more than offset by the increased sales volumes and the improvement in gross profit margin.



Operating Income

(in millions of dollars)

Net Gain on Asset Dispositions

The net gain on asset dispositions resulted from the dilution gains on the Initial Public Offering of Maxxcom, the private placement at CyberSight, and the sale of Optus. The sale of Optus and a 15% interest in Metaca to Symcor occurred in the fourth quarter of 2000. The transaction was valued at approximately $50 million. Partially offsetting the gain was a provision against capital and other assets.

Amortization

Consolidated amortization was $39.2 million in 2000, up $8.6 million over the amortization of $30.6 million in 1999. This increase was primarily attributable to the increase in the Company's asset base given the acquisitions completed by both the Secure Transactions Division and by Maxxcom during the last two years.

Secure Transactions Division

Amortization was $32.2 million in 2000, up $4.5 million or 16% over the $27.7 million of amortization in 1999, due to the amortization of increased capital assets as a result of "new economy" acquisitions completed in 2000 and capital asset expenditures during 1999 and 2000.

Maxxcom

Amortization was $7.0 million in 2000, representing an increase of $4.1 million or 141% over the $2.9 million in 1999. This can be attributed to the rapid expansion of Maxxcom acquisitions in 2000 and the full-year amortization impact of acquisitions completed in 1999.

Interest, Net

Consolidated interest amounted to $47.4 million in 2000, up $7.9 million or 20% over the $39.5 million in 1999. This increase primarily related to the additional long-term indebtedness incurred to support the Company's acquisition and investment strategies.

Income before Income Taxes, Goodwill Charges and Minority Interest

Income before income taxes, goodwill charges and minority interest was $64.6 million in 2000, $19.1 million or 42% higher than the $45.5 million in 1999. Both the Secure Transactions Division and Maxxcom contributed to the improvement providing increases of $11.2 million and $7.9 million respectively.

Income Tax Expense

Income tax expense was $8.9 million in 2000, compared with $13.5 million in 1999. Income taxes decreased from 29.6% of income before income taxes, goodwill charges and minority interest in 1999 to 13.8% in 2000. The Company's effective tax rate for the year was reduced due to the impact of income tax benefits relating to capital transactions and a reduction in the tax rates for Canadian capital gains.

Goodwill Charges

Goodwill amortization in 2000 was $11.7 million versus $9.0 million in 1999. The increase of $2.7 million, or 30%, was as a result of the acquisitions made during 1999 and 2000, primarily in Maxxcom.

Minority Interest

Minority interest was $2.7 million in 2000, and represents the minority interest share of the net earnings of Maxxcom, CyberSight and Metaca. The minority interests related to the "Perpetual Partnership" structure of Maxxcom previously reported as minority interests have been re-categorized as operating expenses.

Net Income for the Year

Net income in 2000 was $41.3 million, up $18.3 million or 80% over the $23.0 million earned in 1999. Net income increased from 2.8% of sales to 3.5% of sales including the impact of non-recurring gains on the disposition of assets and income tax benefits relating thereto.

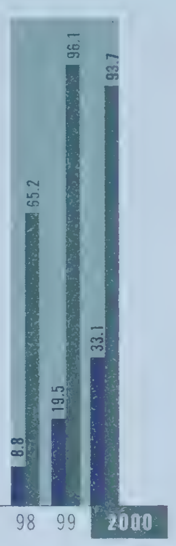
Liquidity and Capital Resources

Working Capital

Working capital was $56.4 million at the end of 2000, reflecting an increase of $4.2 million or 8.0% over the $52.2 million in working capital at the end of 1999.

As a result of asset dispositions in 2000, the Company's available line of credit decreased from US$280 million to US$240 million ($360 million). During the year, Maxxcom established an $80 million stand-alone credit facility. The Company has utilized approximately $235 million under these facilities in the form of cash and letters of credit at December 31, 2000. As at December 31, 2000, the Company had approximately $250 million in unrestricted cash and available bank credit facilities to support the Company's future cash requirements, including capital expenditures planned for 2001 of approximately $30 million.

Operating Income by Business Segment



(in millions of dollars)

■ Maxxcom Inc.

■ Secure Transactions Division

Long-term Indebtedness

Long-term indebtedness (including the current portion of long-term indebtedness) was $568.5 million at December 31, 2000, representing a net increase of $68.4 million over the $500.1 million in long-term indebtedness at December 31, 1999.

The following matrix summarizes the Company's exposure to interest and exchange rate risks at December 31, 2000:

Interest	CDN$	US$	UK£	AUS$
Fixed	20,553,000	152,027,000	2,421,000	3,075,000
Floating	8,308,000	202,520,000	—	—

Long-term Indebtedness to Shareholders' Equity

With $251.8 million of shareholders' equity and $568.5 million of long-term indebtedness, the Company's long-term indebtedness to shareholders' equity ratio decreased in 2000 from 2.32 to 1 at December 31, 1999 to 2.26 to 1 at December 31, 2000. The decline was the result of an earnings increase at a greater rate than the increase in indebtedness.

Repayment of Long-term Indebtedness

Approximately $266.4 million of long-term indebtedness is due within the next five years while the majority is due December 1, 2006. Management anticipates that this indebtedness will be repaid from cash flow from operations.

Cash Flow from Operations

Cash flow from operations, before changes in non-cash working capital, was $109.7 million in 2000, representing an increase of $40.0 million or 57% over the $69.7 million generated in 1999. The funds were used primarily to help fund the Company's capital expenditures and acquisition activities.

Risks and Uncertainties

Customer Concentration

Secure Transactions Division

In 2000, the Secure Transactions Division contributed approximately 48% of the Company's consolidated sales. The division currently derives a significant portion of its revenue from its cheque and postage stamp printing businesses, both of which have a significantly concentrated customer base.

A significant portion of the division's cheque printing revenue is derived from its sales to financial institutions pursuant to long-term agreements. Since cheques in Canada are sold through financial institutions and there is currently no direct-to-consumer cheque market as in the United States, the loss of, or material reduction of volume under these contracts would have a material adverse effect on the results of the division. Although the Company believes that these contracts will continue to operate throughout their entire term and will be extended in the ordinary course of business, there can be no assurance that extensions will be exercised or that the contracts will be renewed at their scheduled expiration.

The postage stamp business derives a significant portion of its revenues from government contracts. Contracts are generally awarded in a competitive bidding process. The loss of these contracts could have a material adverse effect on the sales and earnings of the division. Although there can be no guarantees that the contracts will be renewed following their expiration, management's belief is that the division will successfully retain these contracts and continue to increase annual production allocations. In addition, it is expected that the significant capital investment made to acquire state-of-the-art equipment and technology will give the division production cost efficiencies over its competitors.

Maxxcom

Management's ongoing strategy to acquire ownership stakes in well-managed businesses has allowed the company to grow by 64% in revenues over 1999 and maintain a cumulative average annual growth rate of 94.8% over the last two years. The resulting diversity has allowed the division to minimize the effects that might arise from the loss of any one client or manager.

Management succession is very important to the ongoing results of the division. Management has focused on mitigating the risks with respect to these successions, as well as the promotion of various growth initiatives.

Competition

Each of the Company's divisions operates in a highly competitive environment.

The Company's Secure Transactions Division competes primarily on the basis of quality, customer service, design capability and price. A number of the Company's competitors have greater resources than those available to the Company which may enable them to aggressively pursue the business of the Secure Transactions Division.

Maxxcom competes in an industry characterized by numerous firms of varying sizes, with no single firm or group of firms having a dominant position in the marketplace. Competitive factors include creative reputation, management, personal relationships, quality and reliability of service and expertise in particular niche areas of the marketplace. Although the price of services may be a competitive factor in obtaining new clients, it is generally of lesser importance once a client relationship has been established.

Currency Fluctuations

Although the Company's financial results are reported in Canadian dollars, a significant portion of its sales and operating costs are denominated in U.S. dollars. Furthermore, an increasing portion of the Company's sales and operating costs are expected to be in U.S. currency. The Direct Marketing Division purchases the majority of its merchandise from third parties in foreign currencies, primarily in U.S. and Hong Kong dollars. As a result, fluctuations in the exchange rate between the Canadian dollar and other currencies, particularly the U.S. dollar, may affect the Company's financial results and the Company's competitive position. The Company generally manages its exposure to foreign currency risk by matching its debt charges with cash flows of a common currency, and where appropriate, may hedge currency risks through foreign exchange contracts and currency swap agreements. There can be no assurance that such measures will be successful; however, management will attempt to mitigate these risks to the fullest extent available.

Alternative Forms of Payment

Cheque usage in Canada has declined in the past several years. Consumers and businesses in the North American marketplace have recently been introduced to various electronic and other forms of payment. The Company cannot conclusively determine what effect these alternate forms of payment may have on future average cheque usage by consumers or businesses. There can be no assurance that such factors will not have a material adverse effect on the future volumes of cheques produced by the Company or its revenues.

Discontinued Operations (Regal Greetings & Gifts)

The Company has announced a plan to divest its Regal operations. The Company does retain the responsibility to realize assets and discharge liabilities in the normal course of business for this operation until the ultimate divestiture process has been completed. Consequently, the following risks and uncertainties continue to be applicable to the Company.

Postal Interruption

The operation's mail order catalogue sales are somewhat dependent on continued availability of uninterrupted postal delivery service for outgoing catalogue distribution, incoming mail orders, related parcel shipments and customer communications. Partially in response to the history in Canada of postal interruptions and threats of interruption, Regal has developed alternative means of receiving incoming orders and shipping parcels, including the use of fully integrated Web sites, toll-free order telephone lines, fax orders and independent courier services. Regal's reliance on postal delivery service has been further reduced as a result of its ability to deliver merchandise to catalogue customers through its service centres. On an annual basis, approximately 72% of Regal's merchandise is delivered using means other than postal delivery service. However, a prolonged interruption in Canada's postal service as experienced in the fourth quarter of 1997 would have a material adverse impact on Regal's results.

Foreign Suppliers

Approximately 70% of Regal's merchandise offered through its core catalogues is purchased from foreign independent trading agents selling products for manufacturers located in Asian countries. Therefore, Regal is exposed to the customary risks of doing business abroad, including fluctuations in the value of currencies, import duties, quotas, work stoppages, and political instability. To date, these factors have not had a material adverse effect on Regal's operations.

Seasonality

Significant portions of the sales for Regal are usually earned in the peak selling period leading to Christmas. A major postal interruption or supplier disruption affecting this selling period potentially could have a material adverse impact on the division's results.

New Accounting Pronouncements

Earnings per Share

The Canadian Institute of Chartered Accountants (the "CICA") has approved a new standard for accounting for earnings per share which brings Canadian practice in line with U.S. and international accounting standards. This pronouncement is effective for fiscal years commencing on or after January 1, 2001 and will be applied retroactively. Under the new standard, the most significant change is that the treasury stock method is to be used instead of the imputed earnings approach for determining the dilutive effect of warrants and options on earnings per share. The impact of this change on the Company is not expected to be material.

Outlook

The strength of MDC's strategic plan to focus on the growth of core businesses while investing in and developing its "new economy" operations is clearly evident in the positive results achieved this year. Record sales and operating income are the result of strong organic growth combined with strategic acquisitions.

The Secure Transactions Division is expected to continue its steady growth through gains in market share of existing products, improved productivity and the benefits of the investment spending made during 2000 in our "new economy" operations.

Maxxcom is expected to continue to grow its sales and operating profits through strong internal growth, as demonstrated in 2000, supplemented with further strategic acquisitions.

We anticipate the divestiture of Regal, our discontinued operation, to occur during 2001, with the proceeds to be applied to reduce long-term indebtedness and strengthen our balance sheet.

During 2001, the Company will continue to seek opportunities to enhance our stable and predictable core operations, further develop our "new economy" operations of Metaca and CyberSight, and pursue opportunities to expand our business services to financial institutions.

Management's REPORT

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the preparation and presentation of these financial statements and all the financial information contained within this annual report within reasonable limits of materiality. The financial statements have been prepared in accordance with generally accepted accounting principles in Canada. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements. The financial information throughout the text of this annual report is consistent with that in the financial statements.

To assist management in discharging these responsibilities, the Company maintains a system of internal control which is designed to provide reasonable assurance that its assets are safeguarded, that transactions are executed in accordance with management's authorization and that the financial records form a reliable base for the preparation of accurate and timely financial information.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws, and for the maintenance of proper standards of conduct in its activities.

BDO Dunwoody LLP, Chartered Accountants, are appointed by the shareholders and have audited the consolidated financial statements in accordance with generally accepted auditing standards. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Company.

Annually, the Board of Directors appoints an Audit Committee composed of at least three directors who are not members of management. The Audit Committee meets periodically with management and the auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. It is responsible for reviewing the annual and interim consolidated financial statements and the report of the auditors. The Audit Committee reports the results of such review to the Board and makes recommendations with respect to the appointment of the Company's auditors. In addition, the Board may refer to the Audit Committee on other matters and questions relating to the financial position of the Company and its affiliates.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and for approving the consolidated financial statements for presentation to shareholders.

Miles S. Nadal	**Peter M. Lewis**
Chairman, President & Chief Executive Officer	**Executive Vice-President & Chief Financial Officer**

February 16, 2001

Auditors' REPORT

To the Shareholders of MDC Corporation Inc.

We have audited the consolidated balance sheets of MDC Corporation Inc. as at December 31, 2000, 1999 and 1998 and the consolidated statements of retained earnings, operations and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000, 1999 and 1998 and the results of its operations and its cash flows for each of the years then ended in accordance with generally accepted accounting principles in Canada.

BDO Dunwoody LLP

Chartered Accountants

Toronto, Ontario
February 16, 2001

Consolidated Balance Sheets

(in thousands of Canadian dollars) December 31	2000	1999	1998
Assets			
Current			
Cash and cash equivalents	$ 61,031	$ 35,308	$ 20,157
Accounts receivable (note 2)	157,931	129,284	67,302
Inventory	46,191	53,504	52,600
Prepaid expenses and sundry	42,231	31,761	40,566
	307,384	249,857	180,625
Capital and other assets (note 3)	290,213	237,771	181,030
Goodwill (note 4)	509,853	418,696	378,358
	$ 1,107,450	$ 906,324	$ 740,013
Liabilities and Shareholders' Equity			
Current			
Bank indebtedness (note 5)	$ —	$ 3,204	$ 2,650
Accounts payable and accrued liabilities	224,775	161,895	130,098
Deferred revenue	16,325	19,728	11,180
Current portion of long-term indebtedness (note 5)	9,879	12,797	5,719
	250,979	197,624	149,647
Long-term indebtedness (note 5)	558,622	487,314	388,711
Future income taxes	20,645	—	—
	830,246	684,938	538,358
Minority interest	25,356	6,022	3,511
Shareholders' equity			
Share capital (note 6)	140,583	153,690	145,586
Other paid in capital (note 7)	47,956	44,286	40,909
Cumulative translation adjustment (note 8)	(4,618)	(11,301)	4,086
Retained earnings	67,927	28,689	7,563
	251,848	215,364	198,144
	$ 1,107,450	$ 906,324	$ 740,013

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

On behalf of the Board:

Miles S. Nadal

Miles S. Nadal
Director

Peter M. Lewis
Director

Consolidated Statements of Operations

(in thousands of Canadian dollars, except per share amounts)
For the years ended December 31

	2000	1999	1998
		note 17	note 17
Sales	$ 1,166,782	$ 828,449	$ 541,617
Cost of sales	604,165	426,723	277,485
Gross profit	562,617	401,726	264,132
Operating expenses	435,836	286,079	190,092
Operating income before other charges	126,781	115,647	74,040
Other income (charges)			
Net gain on asset dispositions (note 9)	24,389	—	—
Amortization	(39,200)	(30,588)	(19,359)
Interest, net	(47,347)	(39,560)	(23,018)
	(62,158)	(70,148)	(42,377)
Income before income taxes, goodwill charges and minority interest	64,623	45,499	31,663
Income taxes (note 10)	8,930	13,473	9,741
Income before goodwill charges and minority interest	55,693	32,026	21,922
Goodwill charges, net of income tax recovery of $1,634 (1999 – $763, 1998 – $258)	11,703	9,019	6,431
Minority interest	2,708	—	1,383
Net income for the year	$ 41,282	$ 23,007	$ 14,108
Earnings per share (note 11)			
Income before goodwill charges and minority interest			
Basic	$ 3.09	$ 1.70	$ 1.41
Fully diluted	$ 2.56	$ 1.49	$ 1.24
Net income			
Basic	$ 2.26	$ 1.19	$ 0.93
Fully diluted	$ 1.92	$ 1.10	$ 0.88

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Consolidated Statements of Retained Earnings

(in thousands of Canadian dollars)
For the years ended December 31

	2000	1999	1998
Retained earnings (deficit), beginning of year	$ 28,689	$ 7,563	$ (4,814)
Net income for the year	41,282	23,007	14,108
	69,971	30,570	9,294
Allocation to other paid in capital, net of income tax recovery of $1,626 (1999 – $1,496; 1998 – $1,376)	(2,044)	(1,881)	(1,731)
Retained earnings, end of year	$ 67,927	$ 28,689	$ 7,563

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)
For the years ended December 31

	2000	1999	1998
Cash provided by (used in)			
Operating activities			
Net income for the year	$ 41,282	$ 23,007	$ 14,108
Items not involving cash			
Gain on disposal of assets	17,811	—	—
Amortization	52,537	40,370	26,048
Future/deferred income taxes	(4,924)	7,453	5,256
Other	2,977	(1,095)	(340)
	109,683	69,735	45,072
Changes in non-cash working capital	(4,985)	(4,774)	(57,148)
Cash flows from (used in) operating activities	104,698	64,961	(12,076)
Investing activities			
Investments and acquisitions, net	(48,055)	(74,839)	(161,846)
Capital assets, net	(35,302)	(41,268)	(38,084)
Other assets	(38,704)	(58,238)	14,258
Cash flows used in investing activities	(122,061)	(174,345)	(185,672)
Financing activities			
Short-term indebtedness	(3,192)	625	(9,427)
Proceeds on issuance of long-term indebtedness	63,148	126,614	179,250
Repayment of long-term indebtedness	(7,231)	(7,436)	(9,117)
Issue of share capital	(13,107)	6,672	46,406
Cash flows from financing activities	39,618	126,475	207,112
Foreign exchange gain (loss) on cash held in foreign currencies	3,468	(1,940)	—
Increase in cash and cash equivalents during the year	25,723	15,151	9,364
Cash and cash equivalents, beginning of year	35,308	20,157	10,793
Cash and cash equivalents, end of year	$ 61,031	$ 35,308	$ 20,157
Supplemental cash flow information			
Cash paid for interest	$ 51,530	$ 41,878	$ 28,871
Cash paid for income taxes	$ 9,900	$ 4,605	$ 908

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

December 31, 2000, 1999 and 1998

Principles of Consolidation

The financial statements include the accounts of the Company and any effectively controlled subsidiary companies and are prepared in conformity with generally accepted accounting principles in Canada. Interests in joint ventures are recorded using the proportionate consolidation method. Acquisitions are consolidated from the effective date of acquisition with intercompany transactions and accounts eliminated upon consolidation.

Investments

Investments in which the Company does not have control or have significant influence are valued at the lower of cost or market.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Customer Acquisition Costs

The Company capitalizes costs for direct response advertising and expenses the costs over the period of expected future benefit. The expense corresponds to the expected sales cycle of the advertising material based on actual advertising responses.

Capital Assets

Capital assets are recorded at cost. Amortization is provided as follows:

Buildings	4–5% straight line
Computer, furniture and fixtures	20–30% declining balance
Machinery and equipment	10–20% declining balance
Leasehold improvements	straight line over term of the lease

Deferred Charges

The Company capitalizes direct costs related to development of new products and services until the commencement of commercial operations, at which time all related costs are amortized on a straight-line basis over their estimated useful life.

Deferred Finance Costs

Deferred finance costs are amortized over the term of the related indebtedness.

Future Income Taxes

In the current year, the Company adopted the liability method of tax allocation for accounting for income taxes, as provided for in the new recommendations of the Canadian Institute of Chartered Accountants. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Prior to the adoption of the new recommendations, income tax expense was determined using the deferral method of tax allocation. Under this method, future tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and measured at the tax rate in effect in the year the difference originated.

There was no material impact in adopting these recommendations.

Foreign Currency Translation

With the exception of the Company's foreign subsidiaries, foreign currency assets and liabilities carried at current prices are translated into Canadian dollars using the rate of exchange in effect at the year end; other foreign currency assets and liabilities are translated using the rates of exchange in effect at the dates of the transaction; long-term monetary assets and liabilities with a fixed term which have been hedged are translated using the rate per the hedge agreements; revenue and expense items are translated at the average monthly rate of exchange for the year, except for amortization of capital and other assets which is translated at the historical rates of the related assets. The accounts of foreign subsidiaries' self-sustaining operations are translated using the rate of exchange in effect at the year end.

The unrealized foreign exchange gains and losses on translation of the accounts of foreign subsidiaries are reflected as a separate component of shareholders' equity. The unrealized foreign exchange gains and losses relating to translation of long-term monetary assets and liabilities with a fixed term are deferred and amortized over the remaining life of the related term unless identified as a hedge against the net investment of foreign subsidiaries. All other foreign exchange gains and losses are included in net income or loss in the current period.

Goodwill

Goodwill represents the price paid for acquisitions in excess of the fair market value of net tangible assets acquired. The Company amortizes goodwill on a straight-line basis over periods ranging from 10 to 40 years. The carrying value of goodwill

is assessed annually by reviewing the estimated future undiscounted cash flows of the underlying businesses of the Company. Any permanent impairment in the carrying value of goodwill is expensed in the period in which the assessment is made.

Retirement Plans

The current service cost of pension and other post-employment plans (such as medical and dental care, life insurance and compensated absences) is charged to income annually. Cost is computed on an actuarial basis using the projected benefit method and based on management's best estimates of investment yields, salary escalation and other factors. Adjustments resulting from plan amendments, experience gains and losses, or changes in assumptions are amortized over the remaining average service term of active employees. Prior to 2000, the Company accounted for certain post-employment benefits on a cash basis. There was no material impact in adopting the current policy.

Revenue Recognition

Revenue is recognized using the percentage of completion method with respect to contracts having a specified time period for the performance of the service. Work in progress is estimated as the portion of revenue which has been earned but not billed. Customer billings in advance are recorded as deferred revenue. Potential losses, if any, on work in progress are provided for as soon as the possibility of a loss becomes apparent.

All other revenue is recorded when the service is completed and/or the product is delivered.

Financial Instruments

The Company's financial instruments consist of cash and short-term investments, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, long-term indebtedness and derivative financial instruments. Derivative financial instruments are used by the Company to manage its exposure to market risks relating to interest rates and foreign currency exchange rates.

Credit Risk

The Company's financial assets that are exposed to credit risk consist primarily of cash, accounts receivable and derivative financial instruments. The Company, in its normal course of business, is exposed to credit risk from its customers. The Company is exposed to credit loss in the event of non-performance by counterparties to the derivative financial instruments but does not anticipate non-performance by these counterparties. To reduce counterparty credit exposure, the Company deals only with large credit-worthy financial institutions, and limits credit exposure to each.

Fair Value

The carrying value of long-term indebtedness (see note 5) that bears interest at fixed rates is based on its quoted market price or on discounted future cash flows using rates currently available for debt of similar terms and maturities if the quoted market price was not available. The carrying value of other financial instruments, cash and short-term investments, accounts receivable, bank indebtedness and accounts payable and accrued liabilities, approximates fair value due to their short-term maturities. The fair value of derivative financial instruments, foreign exchange contracts and swaps was approximately $15,000 that the Company would pay to settle the contracts at the reporting date.

Cash and Cash Equivalents

The Company considers all cash and highly liquid investments purchased with an initial maturity of three months or less to be cash or cash equivalents.

The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash and cash equivalents.

Stock Based Compensation

The Company has a stock based compensation plan (note 6). No compensation is recognized for the plan when stock options are issued to directors, officers, employees or consultants of the Company. Any consideration paid by such individuals to the Company on exercise of the stock options or purchase of stock is credited to share capital.

Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

December 31, 2000, 1999, 1998 (in thousands of Canadian dollars, except per share amounts)

1. Acquisitions

The following are the acquisitions during the period. These acquisitions were accounted for by the purchase method and consolidated from the respective effective date of acquisition.

1998 Acquisitions:

- Effective January 1, 1998, the Company acquired 100% of Artistic Greetings Incorporated and 60% of Integrated Healthcare Communication Inc.
- Effective April 1, 1998, the Company acquired 80% of Margeotes | Fertitta + Partners LLC.
- Effective May 28, 1998, the Company acquired 65% of Qualtech Processing Inc.
- Effective July 1, 1998, the Company acquired all the assets of Custom Cheques of Canada, BA Custom Cards and Custom Direct Inc.
- Effective September 25, 1998, the Company acquired 80% of CyberSight, LLC.
- Effective October 1, 1998, the Company acquired certain assets of the Styles Check Company.
- Effective October 15, 1998, the Company acquired 81.5% of Source Marketing LLC.

1999 Acquisitions:

- Effective April 1, 1999, the Company acquired 80% of Colle & McVoy, Inc.
- Effective July 1, 1999, the Company acquired the remaining shares of Check Gallery Inc.
- Effective October 1, 1999, the Company acquired Allard-Associates, Inc. and amalgamated it with LBJ-FRB Communications Inc. to form Allard Johnson Communications Inc. The Company owns 50.1% of Allard Johnson Communications Inc.
- Effective November 1, 1999, the Company acquired 50.1% of Accent Marketing Services, LLC.
- Effective November 30, 1999, the Company acquired 70% of Fletcher Martin Associates LLC.

2000 Acquisitions:

- Effective January 1, 2000, the Company acquired 100% of each of Basset Direct Inc. and Corelan Communications.
- Effective March 1, 2000, the Company acquired 100% of Fiola TMC, Inc.
- Effective April 1, 2000, the Company acquired 80% of TargetCom LLC and 50.1% of each of Bang!Zoom LLC and E-Telligence LLC.
- Effective April 30, 2000, the Company acquired 100% of Wernimont & Paullus Inc.
- Effective July 31, 2000, the Company acquired 100% of Mackenzie Marketing Inc.
- Effective August 1, 2000, the Company acquired 80% of Pavlika Chinnici Direct, LLC.
- Effective September 1, 2000, the Company acquired 100% of Bratskeir & Company, Inc. and 60% of Interfocus Network Limited.

The assets acquired and the consideration given are as follows:

December 31,	2000	1999	1998
Net assets acquired, at fair value			
Assets, net of liabilities	$ 2,923	$ 11,462	$ 32,647
Goodwill	112,974	65,682	218,080
	$ 115,897	$ 77,144	$ 250,727
Consideration			
Cash and promissory notes	$ 65,378	$ 73,344	$ 166,408
Class A shares issued	—	1,165	16,260
Additional consideration—current year acquisitions	24,261	—	—
Additional consideration—prior year acquisitions	20,097	—	—
Other acquisition costs	6,161	2,635	68,059
	$ 115,897	$ 77,144	$ 250,727

In addition to the consideration paid by the Company in respect of its acquisitions, additional consideration is payable based on the achievement of certain threshold levels of earnings. Based on the current year's earnings, $44,358 (1999 – $8,341) of additional consideration was accrued related to current and prior year acquisitions and is reflected in accounts payable and

accrued liabilities. Should the current level of earnings be maintained by these acquired companies, the following approximate additional consideration would be earned in each of the following years:

2001	—	$ 31,000
2002	—	32,000
2003	—	3,000

2. Accounts Receivable

December 31,	**2000**	1999	1998
Receivables —trade	**$ 138,831**	$ 119,753	$ 62,692
—other	**5,496**	—	—
Unbilled work in progress	**13,604**	9,531	4,610
	$ 157,931	$ 129,284	$ 67,302

3. Capital and Other Assets

December 31,	**2000**		1999		1998	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization	Cost	Accumulated Amortization
(a) Capital assets						
Land	**$ 1,824**	**$ —**	$ 1,974	$ —	$ 1,870	$ —
Buildings	**9,968**	**1,983**	13,570	2,598	11,788	2,152
Computer, furniture and fixtures	**101,285**	**55,594**	84,109	43,119	59,285	32,543
Machinery and equipment	**147,316**	**61,878**	141,186	55,960	127,380	47,093
Leasehold improvements	**30,853**	**13,676**	27,694	10,859	18,354	7,651
	291,246	**133,131**	268,533	112,536	218,677	89,439
(b) Other assets						
Investments, at cost	**10,845**	**—**	1,691	—	—	—
Long-term notes receivable	**20,417**	**—**	27,329	—	13,833	—
Customer acquisition costs	**33,429**	**—**	27,366	—	—	—
Deferred charges	**24,896**	**11,706**	20,614	11,038	19,473	6,220
Deferred finance costs	**25,300**	**9,748**	26,464	7,736	20,595	3,103
Deferred foreign exchange	**25,576**	**5,935**	14,116	3,922	24,085	1,760
Deferred swap settlement income	**(18,900)**	**(6,236)**	(18,900)	(4,125)	(18,900)	(2,015)
Future/deferred income taxes	**31,688**	**—**	1,665	—	1,774	—
	153,251	**21,153**	100,345	18,571	60,860	9,068
	444,497	**154,284**	368,878	131,107	279,537	98,507
Cost less accumulated amortization		**$ 290,213**		$ 237,771		$ 181,030

Included in capital assets are assets under capital leases with a cost of $17,393 (1999 – $25,826, 1998 – $17,443) and accumulated amortization of $4,948 (1999 – $5,778, 1998 – $3,590). Long-term notes receivable ("Notes") include amounts owing from employees, officers and directors of the Company and its subsidiaries. The Notes bear interest from 0% to prime plus 1/2% with no specific terms of repayment. The Notes include $8,802 owing from employees, officers and directors on account of share purchase loans and are secured by shares with a market value of $8,138 as at December 31, 2000. During the year, a provision of $11,300 has been recorded against the Notes due from certain officers.

4. Goodwill

December 31,	**2000**	1999	1998
Cost	**$ 553,519**	$ 449,488	$ 397,976
Accumulated amortization	**43,666**	30,792	19,618
	$ 509,853	$ 418,696	$ 378,358

5. Long-term Indebtedness

December 31,	2000	1999	1998
10.5% unsecured senior subordinated debentures, face value US$200,000 due December 1, 2006, interest payable semi-annually	**$ 299,900**	$ 288,440	$ 311,873
7% convertible debentures, face value $50,000, due January 8, 2007; present value of interest payable until January 8, 2002	**3,271**	6,328	9,185
6% convertible subordinated notes, due March 2002	**4,408**	4,139	3,887
6.75% mortgage payable, due January 2002	**2,531**	2,647	2,782
Notes payable and other bank loans	**13,823**	12,297	1,045
MDC credit facility, includes US$120,470 (1999 – US$101,000; 1998 – US$33,500)	**184,814**	163,907	51,365
Maxxcom credit facility, includes US$28,300	**44,436**	—	—
	553,183	477,758	380,137
Obligations under capital leases, interest at 7.37% to 11.67%	**15,318**	22,353	14,293
	568,501	500,111	394,430
Less: Current portion	**9,879**	12,797	5,719
	$ 558,622	$ 487,314	$ 388,711

The MDC credit facility provides for an aggregate maximum borrowing under the facility of up to US$240,000 bearing interest at rates which depend on certain of the Company's financial ratios and which vary in accordance with borrowing rates in Canada and the United States. The credit facility and bank indebtedness are secured by a general security agreement, a pledge of shares of subsidiaries and an assignment of intercompany debt.

The MDC credit facility converts into US$115,000 revolving facility on August 28, 2001, with up to US$103,000 converting into a three-year term, with the balance of approximately US$22,000 due August 28, 2005. The three-year term loan is repayable at a minimum of one-twelfth of the August 28, 2001 term loan balance per quarter commencing after August 2001. The facility has been designated as a hedge against the net investment of a U.S. subsidiary.

The Maxxcom stand-alone credit facility provides for an aggregate maximum borrowing of up to $80,000 bearing interest at rates which depend on certain of Maxxcom's financial ratios and which vary in accordance with borrowing rates in both Canada and the United States. The facility is secured by a general security agreement, a pledge of shares of Maxxcom's subsidiaries and an assignment of intercompany debt.

The Company has entered into a cross currency swap agreement which has converted the interest obligation on US$125,000 of the unsecured senior subordinated debentures from US$ to Cdn$ and carries a revised coupon of 11.21% payable interest only semi-annually in Canadian dollars. The cross currency swap agreement terminates in December 2006.

The Company has entered into an interest rate swap agreement which has converted the interest obligation on US$50,000 of the unsecured senior subordinated debentures from 10.5% to a variable interest rate. At December 31, the variable rate of interest was approximately 10.5%. The interest rate swap terminates in December 2006, unless the Bank or the Company exercises its option to cancel on December 1, 2003.

The notes payable and other bank loans bear interest at 3.53% to 8.7% and are due between 2001 and 2004. The other bank loans are secured by a general security agreement with a specific subsidiary or letters of credit under the MDC facility.

The mortgage and capital leases are secured by specific equipment, land and building.

In accordance with the Company's accounting policy on financial instruments, the net proceeds of $47,350 of the 7% convertible debentures with the face value $50,000 have been allocated $14,350 to long-term indebtedness and $33,000 to other paid in capital within shareholders' equity. Additional amounts are capitalized annually to the equity portion of the notes in order that the equity portion of the notes will equal the face value at maturity. The 7% convertible debentures are convertible at the option of the holder into Class A shares at a rate of 49.261 Class A shares per $1 of debenture. The 7% convertible debentures are redeemable by the Company to December 30, 2001 provided the trading price of the Class A shares is at least $25.375. After December 30, 2001 the 7% convertible debentures are redeemable by the Company. The Company may, at its option, satisfy the obligation to repay the principal amount of the debentures on redemption or at maturity in freely tradable Class A shares.

The 6% convertible subordinated notes have been allocated $3,057 to long-term indebtedness and $1,943 to other paid in capital within shareholders' equity. Additional interest is capitalized annually to the indebtedness portion of the notes in order that the indebtedness portion will equal the face value at maturity. The 6% convertible subordinated notes are convertible at any time into Class A shares of the Company at a rate of 66.667 Class A shares for each $1 of note. The notes are secured by a floating charge on all the assets of the Company and rank *pari passu* with the unsecured senior subordinated debentures and subordinate to all other bank and long-term indebtedness. Interest is paid quarterly.

The approximate principal portion of long-term indebtedness repayable in each of the five years subsequent to December 31, 2000 is as follows:

2001	$ 9,879
2002	18,032
2003	3,872
2004	170,284
2005	64,323
Thereafter	302,111
Total	$ 568,501

Total interest on long-term debt was $51,463 (1999 – $43,251, 1998 – $29,096).

The Company's estimate of the fair value of its long-term indebtedness is as follows:

December 31,	**2000**	1999	1998
Maturing within five years	**$ 260,000**	$ 170,000	$ 82,000
Maturing after five years	**280,000**	320,000	321,000
	$ 540,000	$ 490,000	$ 403,000

6. Share Capital

The authorized share capital of the Company is as follows:

An unlimited number of Class A shares (subordinate voting shares) carrying one vote each, entitled to dividends equal to o greater than Class B shares, convertible at the option of the holder into one Class B share for each Class A share after the occurrence of certain events related to an offer to purchase all Class B shares.

An unlimited number of Class B shares carrying 20 votes each, convertible at any time at the option of the holder into one Class A share for each Class B share.

An unlimited number of non-voting preference shares issuable in series.

Changes to the Company's issued and outstanding share capital are as follows:

	Shares	Amount
Class A		
Balance, December 31, 1997	11,786,423	$ 83,978
Shares acquired and cancelled pursuant to a normal course issuer bid	(25,200)	(288)
Shares issued by prospectus	3,000,000	42,000
Share options and warrants exercised	558,779	4,807
Shares issued on purchase of assets of Custom Cheques of Canada, BA Custom Cards and Custom Direct Inc.	1,250,000	15,000
Shares issued on purchase of Source Marketing LLC	120,280	1,260
Share issue costs, net of income tax recovery of $1,095	—	(1,373)
Conversion of Class B shares	166	—
Balance, December 31, 1998	16,690,448	145,384
Shares issued by prospectus	415,000	5,810
Shares issued by private placement	312,700	4,404
Share options and warrants exercised	239,359	3,057
Shares issued on purchase of shares of Allard-Associates, Inc.	85,150	1,165
Shares acquired and cancelled pursuant to a normal course issuer bid	(454,000)	(5,932)
Share issue costs, net of income tax recovery of $267	—	(400)
Conversion of Class B shares	1,093	—
Balance, December 31, 1999	17,289,750	153,488
Share options and warrants exercised	158,360	1,859
Shares acquired and cancelled pursuant to a normal course issuer bid	(1,186,801)	(14,966)
Balance, December 31, 2000	16,261,309	$ 140,381
Class B		
Balance, December 31, 1997	451,729	$ 202
Conversion to Class A shares	(166)	—
Balance, December 31, 1998	451,563	202
Conversion to Class A shares	(1,093)	—
Balance, December 31, 1999 and 2000	450,470	$ 202
Series 3 Preference Shares		
Balance, December 31, 1997, 1998 and 1999	—	$ —
Shares issued by private placement	3,800,000	—
Balance, December 31, 2000	3,800,000	$ —
Total Class A and Class B Share Capital		
2000	**16,711,779**	**$ 140,583**
1999	17,740,220	$ 153,690
1998	17,142,011	$ 145,586

During the year, the Company issued 3,800,000 series 3 preference shares which are exchangeable into shares of CyberSight Acquisition Co., Inc. ("CyberSight") on a one for one basis. The net proceeds were allocated to CyberSight. Subsequent to the year end, the series 3 preference shares have been converted to CyberSight shares (note 18c).

The Company has an employee share option incentive plan, which may grant up to 2,443,137 options to employees, officers, directors and consultants of the Company. All options granted are for a term of no more than five years from the date of grant and vest 20% on the date of grant and a further 20% on each anniversary date.

The Company has reserved a total of 5,191,930 Class A shares in order to meet its obligations under various conversion rights, warrants and employee share options. At December 31, 2000 there were 186,858 shares available for future option grants.

Information related to share option transactions over the past three years is summarized as follows:

	Options Outstanding		Options Exercisable	
	Weighted Average Number Outstanding	Weighted Average Price per Share	Number Outstanding	Price per Share
Balance, December 31, 1997	2,003,555	$ 10.49	1,018,703	$ 10.44
Granted	1,064,533	11.92		
Exercised	(512,102)	8.52		
Cancelled	(349,747)	12.42		
Balance, December 31, 1998	2,206,239	11.27	651,858	12.42
Granted	878,334	14.87		
Exercised	(239,359)	13.34		
Cancelled	(378,350)	12.71		
Balance, December 31, 1999	2,466,864	12.06	1,184,154	11.33
Granted	277,334	12.78		
Exercised	(141,694)	11.35		
Cancelled	(346,225)	13.25		
Balance, December 31, 2000	**2,256,279**	**$ 12.01**	**1,347,556**	**$ 11.46**

Share options outstanding at December 31, 2000 are summarized as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Contractual Life	Weighted Average Price per Share	Number Exercisable	Weighted Average Price per Share
$ 7.75 – $ 9.99	513,692	1.1 years	$ 8.63	399,454	$ 8.63
$10.00 – $ 11.99	689,853	1.9 years	10.60	422,895	10.55
$12.00 – $ 14.00	404,500	2.3 years	12.93	221,366	12.99
$14.01 – $ 18.00	648,234	2.7 years	15.60	303,841	15.39

7. Other Paid in Capital

December 31,	**2000**	1999	1998
Balance, beginning of year	**$ 44,286**	$ 40,909	$ 37,802
Allocation from retained earnings	**3,670**	3,377	3,107
	$ 47,956	$ 44,286	$ 40,909

8. Cumulative Translation Adjustment

This adjustment represents the net unrealized foreign currency translation gain (loss) on the Company's net investment in self-sustaining foreign operations in the United States, United Kingdom and Australia.

9. Net Gain on Asset Dispositions

For the years ended December 31,	**2000**	1999	1998
Gain on disposal of assets	**$ 50,267**	$ —	$ —
Provision against capital and other assets	**(25,878)**	—	—
	$ 24,389	$ —	$ —

10. Income Taxes

The Company's provision for income taxes is comprised as follows:

For the years ended December 31,	2000	1999	1998
Current	$ 12,220	$ 9,083	$ 4,227
Future/deferred	(4,924)	7,453	5,256
Recovery of taxes due to utilization of losses and unrecorded deferred tax debits of prior years	—	(3,826)	—
	$ 7,296	$ 12,710	$ 9,483

Reconciliation to statutory rates is as follows:

For the years ended December 31,	2000	1999	1998
Provision for income taxes based on combined basic Canadian federal and provincial tax rate of 44.0% (1999 & 1998 – 44.3%)	$ 22,566	$ 15,836	$ 10,451
Increase (decrease) in taxes resulting from permanent differences			
—Capital gains	(13,291)	—	—
—Other	(1,979)	700	(968)
Recovery of taxes due to realization of losses and unrecorded deferred tax debits of prior years	—	(3,826)	—
Total provision	$ 7,296	$ 12,710	$ 9,483
Disclosed on the Statements of Operations as follows:			
Income taxes	$ 8,930	$ 13,473	$ 9,741
Recovery of income taxes related to goodwill charges	(1,634)	(763)	(258)
	$ 7,296	$ 12,710	$ 9,483

The tax effects of significant items comprising the Company's future tax assets and liabilities as at December 31, 2000 are as follows:

Future tax assets	
Differences between book and tax basis of equity transaction costs	$ 3,778
Loss carryforwards related to equity transaction costs	8,351
Operating loss carryforwards	19,559
	$ 31,688
Future tax liabilities	
Difference between book and tax basis of capital and other assets	$ 23,240
Operating loss carryforwards	(2,595)
	$ 20,645

At December 31, 2000 the Company has income tax loss carryforwards of approximately $74,000 which relate to the Company and certain subsidiaries, the tax benefits of which have been recognized in these financial statements. The tax loss carryforwards expire between 2004 and 2007.

11. Earnings per Share

Basic earnings per share has been calculated on a weighted average basis of Class A shares and Class B shares outstanding during the year and after giving effect to the net allocation to other paid in capital related to the convertible debentures.

The calculation of fully diluted earnings per share is based upon the common shares outstanding during the year as above, adjusted by the total of the additional common shares that would have been issued assuming exercise of all share options and warrants and conversion of all other dilutive instruments.

12. Discontinued Operations

In December 1997, the Company adopted a plan to divest its Regal Greetings & Gifts and Primes de Luxe ("Regal") operations. The divestiture process is ongoing and is anticipated to take some time to complete. Accordingly, the results of Regal are reported as discontinued operations. Interest has been allocated to discontinued operations.

For the years ended December 31,	2000	1999	1998
Sales	$ 80,069	$ 77,188	$ 67,934
Net income from discontinued operations	$ —	$ —	$ —

As at December 31, 2000 the carrying values of Regal's net assets are as follows:

Net working capital	$ 12,135
Capital and other assets	8,183
Goodwill	45,962
	$ 66,280

13. Retirement Plans

The estimated market value of assets in the defined benefit component of the pension plans was $16,772 at December 31, 2000 (1999 – $16,830, 1998 – $17,788). These assets are available to meet the estimated present value of accrued pension and other benefits obligations of $15,079 at December 31, 2000 (1999 – $16,242, 1998 – $16,130).

14. Commitments

a) The Company has leased real estate and equipment at the following approximate annual base rental:

2001	$ 24,559
2002	22,622
2003	20,925
2004	18,797
2005	15,023
Thereafter	33,923

b) The Company, under agreements with respect to the terms of acquisitions, may be required to acquire part or all of minority shareholdings at an amount based on the net income of the respective subsidiary companies.

15. Contingent Liabilities

As at December 31, 2000 there are claims against the Company in varying amounts. It is not possible to determine the amounts that may ultimately be assessed against the Company with respect to these claims; however, management believes that any such amounts would not have a material impact on the business or financial position of the Company.

16. Related Party Transactions

The Company paid fees totalling $4,912 (1999 – $2,500, 1998 – $1,000) to a company controlled by an officer of the Company in respect of services provided including merger and acquisition, financial and administrative. In addition the Company has a non-interest bearing note receivable of $3,000 (1999 – $3,000, 1998 – $3,000) from the same company.

17. Comparative Figures

The comparative figures have been reclassified to conform with the current year's presentation.

18. Subsequent Events

a) Subsequent to the year end, the Company's subsidiary, Maxxcom Inc., acquired 49% of Crispin Porter + Bogusky LLC, an advertising agency.

b) Effective January 31, 2001 the Company's subsidiary, Metaca Corporation, acquired 100% of the Canadian card services business of MIST Inc.

c) Effective February 15, 2001 the Company acquired an additional 5.6 million shares of CyberSight Acquisition Co., Inc. in exchange for 933,337 Class A subordinate voting shares of the Company. Prior to the exchange, all series 3 preference shares of the Company were converted into common shares of CyberSight Acquisition Co., Inc.

19. Segmented Information

Based on the Company's internal management structure, the Company's continuing operations are in primarily two business segments—Secure Transactions and Marketing Communications through Maxxcom Inc. Secure Transactions operations provide security products and services in four primary areas: Personalized transaction products such as personal and business cheques; Electronic transaction products such as credit, debit, telephone and smart cards; Secure ticketing products such as airline, transit and event tickets; Stamps, both postal and excise.

Maxxcom provides a comprehensive range of communication services which include advertising, direct marketing, database management, sales promotion, public relations, investor relations, research and consulting, corporate identity, branding and interactive marketing.

The significant accounting policies of these segments are the same as those described in the summary of significant accounting policies.

For the year ended December 31, 2000	Secure Transactions	Maxxcom	Total
Earnings			
Sales	$ 561,752	$ 605,030	$1,166,782
Operating income before other charges	$ 93,696	$ 33,085	$ 126,781
Net gain on asset dispositions	24,389	—	24,389
Amortization	(32,177)	(7,023)	(39,200)
Interest, net	(45,672)	(1,675)	(47,347)
	(53,460)	(8,698)	(62,158)
Income before income taxes, goodwill charges and minority interest	40,236	24,387	64,623
Income taxes	408	8,522	8,930
Income before goodwill charges and minority interest	39,828	15,865	55,693
Goodwill charges	8,370	3,333	11,703
Minority interest	2,708	—	2,708
Net income for the year	$ 28,750	$ 12,532	$ 41,282
Assets			
Total assets	$ 740,512	$ 366,938	$1,107,450
Expenditures on capital assets	$ 25,745	$ 9,557	$ 35,302

For the year ended December 31, 1999	Secure Transactions	Maxxcom	Total
Earnings			
Sales	$ 460,065	$ 368,384	$ 828,449
Operating income before other charges	$ 96,135	$ 19,512	$ 115,647
Amortization	(27,709)	(2,879)	(30,588)
Interest, net	(39,451)	(109)	(39,560)
	(67,160)	(2,988)	(70,148)
Income before income taxes and goodwill charges	28,975	16,524	45,499
Income taxes	6,366	7,107	13,473
Income before goodwill charges	22,609	9,417	32,026
Goodwill charges	7,532	1,487	9,019
Net income for the year	$ 15,077	$ 7,930	$ 23,007
Assets			
Total assets	$ 687,512	$ 218,812	$ 906,324
Expenditures on capital assets	$ 36,562	$ 4,706	$ 41,268

For the year ended December 31, 1998	Secure Transactions	Maxxcom	Total
Earnings			
Sales	$ 382,205	$ 159,412	$ 541,617
Operating income before other charges	$ 65,257	$ 8,783	$ 74,040
Amortization	(17,831)	(1,528)	(19,359)
Interest, net	(22,752)	(266)	(23,018)
	(40,583)	(1,794)	(42,377)
Income before income taxes, goodwill charges and minority interest	24,674	6,989	31,663
Income taxes	6,737	3,004	9,741
Income before goodwill charges and minority interest	17,937	3,985	21,922
Goodwill charges	5,706	725	6,431
Minority interest	1,383	—	1,383
Net income for the year	$ 10,848	$ 3,260	$ 14,108
Assets			
Total assets	$ 644,359	$ 95,654	$ 740,013
Expenditures on capital assets	$ 35,439	$ 2,645	$ 38,084

Geographic Information

Sales	**2000**	1999	1998
Canada	**$ 501,137**	$ 397,432	$ 297,824
United States	**612,833**	391,582	207,508
Other countries	**52,812**	39,435	36,285
Total	**$1,166,782**	$ 828,449	$ 541,617

Capital Assets and Goodwill	**2000**	1999	1998
Canada	**$ 312,794**	$ 307,206	$ 290,054
United States	**306,555**	224,096	171,073
Other countries	**48,619**	43,391	46,469
Total	**$ 667,968**	$ 574,693	$ 507,596

Ten-Year Financial Summary

(dollars and shares in thousands, except per share amounts)

	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Operations										
Sales	**$ 1,166,782**	828,449	541,617	291,583	168,589	106,791	60,652	32,061	27,296	21,188
Cost of sales	**604,165**	426,723	277,485	168,386	106,006	74,416	45,836	22,495	19,617	15,631
Gross profit	**562,617**	401,726	264,132	123,197	62,583	32,375	14,816	9,566	7,679	5,557
Operating expenses	**435,836**	286,079	190,092	90,037	41,653	23,352	10,605	6,209	5,050	5,015
Operating income	**126,781**	115,647	74,040	33,160	20,930	9,023	4,211	3,357	2,629	542
Amortization expense	**39,200**	30,588	19,359	11,880	5,421	1,184	1,121	895	690	739
Interest expense	**47,347**	39,560	23,018	6,258	6,177	2,138	485	626	879	1,057
Loss (gain) on sale of capital assets	**(24,389)**	—	—	—	(615)	—	3	(148)	(46)	—
Income (loss) before income taxes and goodwill amortization	**64,623**	45,499	31,663	15,022	9,947	5,701	2,602	1,984	1,106	(1,254)
Income taxes	**8,930**	13,473	9,741	3,953	2,842	1,542	970	113	27	(161)
Net income (loss) before goodwill amortization, minority interest and discontinued operations	**55,693**	32,026	21,922	11,069	7,105	4,159	1,632	1,871	1,079	(1,093)
Goodwill amortization (net of taxes)	**11,703**	9,019	6,431	2,904	2,374	1,962	340	—	—	—
Minority interest	**2,708**	—	1,383	384	—	—	—	—	—	—
Non-recurring charges/ discontinued operations	**—**	—	—	28,618	(2,308)	(613)	(3,016)	—	—	467
Net income (loss)	**$ 41,282**	23,007	14,108	(20,837)	7,039	2,810	4,308	1,871	1,079	(1,560)
Earnings per share										
Continuing operations (before goodwill charges)										
Basic	**$ 3.09**	1.70	1.41	0.74	0.61	0.40	0.17	0.29	0.27	(0.39)
Fully diluted	**2.56**	1.49	1.24	0.69	0.58	0.39	0.17	0.28	0.26	(0.39)
Continuing operations										
Basic	**$ 2.26**	1.19	0.93	0.50	0.41	0.21	0.14	0.25	0.23	(0.42)
Fully diluted	**1.92**	1.10	0.88	0.49	0.40	0.21	0.14	0.25	0.22	(0.42)
Reported (net income)										
Basic	**$ 2.26**	1.19	0.93	(1.82)	0.61	0.27	0.46	0.25	0.23	(0.60)
Fully diluted	**1.92**	1.10	0.88	(1.82)	0.58	0.27	0.45	0.25	0.22	(0.60)
Cash flow										
Cash flow from continuing operations	**$ 109,683**	69,735	45,072	22,432	12,616	3,973	2,686	1,552	2,011	(303)
Cash flow per share										
Basic	**6.20**	3.82	3.25	1.69	1.09	0.39	0.29	0.21	0.42	(0.12)
Fully diluted	**4.95**	3.14	2.64	1.41	0.99	0.37	0.29	0.21	0.40	(0.12)
Financial position										
Net working capital	**$ 56,405**	52,233	30,978	37,930	63,040	8,194	7,741	9,938	539	166
Capital and other assets	**290,213**	237,771	181,030	118,463	96,053	43,581	18,269	5,608	2,161	1,866
Goodwill	**509,853**	418,696	378,358	168,448	138,767	80,092	67,687	14,707	10,739	6,522
Total assets	**1,107,450**	906,324	740,013	417,509	361,935	184,128	124,049	40,076	23,311	13,815
Long-term indebtedness	**558,622**	487,314	388,711	205,634	190,907	56,748	26,645	5,844	5,948	6,477
Total indebtedness	**568,501**	503,315	397,080	222,223	194,579	80,734	32,178	8,080	8,602	8,794
Shareholders' equity	**251,848**	215,364	198,144	117,168	105,776	73,978	64,301	24,165	7,172	1,796
Other data										
Operating income as a % of sales	**% 10.9**	14.0	13.7	11.4	12.4	8.4	6.9	10.5	9.6	2.6
Income from continuing operations as a % of sales	**3.5**	2.8	2.6	(7.1)	4.2	2.6	7.1	5.8	4.0	(7.4)
Book value per share	**$ 15.07**	12.15	11.56	9.57	8.56	7.13	6.42	3.07	1.25	0.58
Current ratio	**1.22**	1.26	1.21	1.41	1.98	1.16	1.26	2.01	1.05	1.03
Long-term indebtedness to total capitalization	**% 68.1**	67.8	65.3	60.6	63.6	36.7	27.6	18.1	37.7	61.2
Total indebtedness to total capitalization	**69.3**	70.0	66.7	65.5	64.8	52.2	33.4	25.1	54.5	83.0
Total indebtedness to shareholders' equity	**2.3**	2.3	2.0	1.9	1.8	1.1	0.5	0.3	1.2	4.9
Class A and B shares outstanding at year end	**16,712**	17,740	17,142	12,238	12,353	10,371	10,019	7,883	5,742	3,085
Employees at year end	**4,850**	5,390	3,930	2,920	2,600	1,491	1,150	277	160	111

Three-Year Summary — Quarterly Consolidated Operating Results from Continuing Operations

(in thousands of Canadian dollars, except per share amounts)

(unaudited)	1st Quarter 2000	1st Quarter 1999	1st Quarter 1998	2nd Quarter 2000	2nd Quarter 1999	2nd Quarter 1998
Sales	**$ 277,160**	166,115	91,454	**273,964**	215,160	151,790
Net income						
Net income	**$ 22,627**	5,153	2,797	**3,242**	5,621	3,479
Net income per share						
Basic	**$ 1.24**	0.27	0.19	**0.16**	0.29	0.25
Fully diluted	**$ 1.01**	0.25	0.18	**0.16**	0.27	0.22
Cash flow						
Cash flow from operations	**$ 37,786**	16,720	7,177	**13,505**	16,146	9,679
Cash flow per share						
Basic	**$ 2.10**	0.93	0.55	**0.74**	0.88	0.74
Fully diluted	**$ 1.66**	0.76	0.44	**0.62**	0.72	0.70

(unaudited)	3rd Quarter 2000	3rd Quarter 1999	3rd Quarter 1998	4th Quarter 2000	4th Quarter 1999	4th Quarter 1998	Annual Total 2000	Annual Total 1999	Annual Total 1998
Sales	**$ 290,941**	197,980	145,177	**324,717**	249,194	153,196	**1,166,782**	828,449	541,617
Net income									
Net income	**$ 4,063**	5,745	3,430	**11,350**	6,488	4,402	**41,282**	23,007	14,108
Net income per share									
Basic	**$ 0.22**	0.29	0.23	**0.64**	0.34	0.26	**2.26**	1.19	0.93
Fully diluted	**$ 0.21**	0.27	0.22	**0.54**	0.31	0.26	**1.92**	1.10	0.88
Cash flow									
Cash flow from operations	**$ 21,895**	16,667	13,755	**36,497**	20,202	14,461	**109,683**	69,735	45,072
Cash flow per share									
Basic	**$ 1.24**	0.90	1.06	**2.12**	1.11	0.90	**6.20**	3.82	3.25
Fully diluted	**$ 1.00**	0.76	0.89	**1.67**	0.90	0.61	**4.95**	3.14	2.64

Class A Share Price

The Class A shares of MDC Communications Corporation are listed on The Toronto Stock Exchange and since October 1998 on the NASDAQ National Market (from April 1995 to September 1998, the Company's shares traded on the American Stock Exchange). Quarterly market price data, adjusted for the one for six consolidation completed in May 1996, from 1992 to the end of 2000 were as shown below:

	MDZ.A			MDCA—NASDAQ National Market		
	Market price per share		Trading volume	Market price per share		Trading volume
Quarter ending	High	Low	# of shares	High	Low	# of shares
2000						
December 31	**$ 14.90**	**$ 10.30**	**2,113,073**	**US$ 10.25**	**US$ 6.75**	**1,006,545**
September 30	**$ 15.40**	**$ 10.00**	**3,256,237**	**US$ 10.19**	**US$ 6.38**	**740,717**
June 30	**$ 17.50**	**$ 12.00**	**3,536,488**	**US$ 11.88**	**US$ 8.00**	**1,635,822**
March 31	**$ 24.90**	**$ 11.50**	**8,631,048**	**US$ 17.13**	**US$ 7.88**	**2,458,420**
Total 2000	**$ 24.90**	**$ 10.00**	**17,536,846**	**US$ 17.13**	**US$ 6.38**	**5,841,504**
1999						
December 31	$ 17.00	$ 10.90	3,253,562	US$ 11.50	US$ 7.38	3,345,951
September 30	$ 22.00	$ 14.95	1,961,398	US$ 14.50	US$ 10.25	2,647,303
June 30	$ 21.00	$ 13.50	6,819,341	US$ 14.00	US$ 9.00	4,991,929
March 31	$ 16.95	$ 12.50	1,015,297	US$ 11.00	US$ 8.25	1,329,051
Total 1999	$ 22.00	$ 10.90	13,049,598	US$ 14.50	US$ 7.38	12,314,234
1998						
December 31	$ 17.05	$ 10.00	1,957,257	US$ 11.00	US$ 6.56	2,028,374
September 30	$ 15.50	$ 9.75	1,753,154	US$ 10.31	US$ 6.25	1,399,700
June 30	$ 16.95	$ 13.25	2,420,220	US$ 11.31	US$ 9.38	1,797,100
March 31	$ 13.75	$ 8.50	5,525,864	US$ 9.75	US$ 6.25	1,863,900
Total 1998	$ 17.05	$ 8.50	11,656,495	US$ 11.31	US$ 6.25	5,060,700
1997						
December 31	$ 9.80	$ 7.60	4,452,805	US$ 6.75	US$ 5.25	197,700
September 30	$ 10.50	$ 8.60	521,483	US$ 7.63	US$ 6.38	142,700
June 30	$ 12.00	$ 10.00	954,972	US$ 8.63	US$ 7.13	85,900
March 31	$ 14.00	$ 11.50	1,619,243	US$ 10.25	US$ 8.63	181,200
Total 1997	$ 14.00	$ 7.60	7,548,503	US$ 12.13	US$ 6.38	607,500
1996						
December 31	$ 16.50	$ 12.05	2,330,275	US$ 12.13	US$ 9.13	493,900
September 30	$ 14.50	$ 9.90	2,474,651	US$ 10.75	US$ 7.00	546,600
June 30	$ 13.80	$ 9.90	2,546,773	US$ 10.13	US$ 7.19	416,183
March 31	$ 12.30	$ 9.00	2,410,339	US$ 9.75	US$ 6.38	691,733
Total 1996	$ 16.50	$ 9.00	9,762,038	US$ 12.13	US$ 6.38	2,148,416
1995						
December 31	$ 13.20	$ 6.60	2,377,965	US$ 9.38	US$ 4.88	174,983
August 31	$ 16.80	$ 12.00	1,018,181	US$ 12.38	US$ 9.38	63,033
May 31	$ 17.40	$ 12.90	2,091,864	US$ 12.75	US$ 9.75	114,534
February 28	$ 15.90	$ 12.00	1,027,809			
Total 1995	$ 17.40	$ 6.60	6,515,819	US$ 12.75	US$ 4.88	352,550
1994						
November 30	$ 17.10	$ 14.10	1,056,306			
August 31	$ 18.00	$ 12.00	900,445			
May 31	$ 24.60	$ 15.60	1,641,711			
February 28	$ 23.40	$ 9.90	4,185,750			
Total 1994	$ 24.60	$ 9.90	7,784,212			
1993						
November 30	$ 10.50	$ 6.90	2,056,852			
August 31	$ 8.58	$ 5.70	1,277,667			
May 31	$ 10.38	$ 6.60	1,040,305			
February 28	$ 11.40	$ 5.46	2,424,275			
Total 1993	$ 11.40	$ 5.46	6,799,099			
1992						
November 30	$ 6.96	$ 3.12	2,639,328			
August 31	$ 3.06	$ 2.22	384,833			
May 31	$ 3.42	$ 2.40	187,150			
February 29	$ 3.60	$ 1.50	98,767			
Total 1992	$ 6.96	$ 1.50	3,310,078			

MDC Class A Subordinate Voting Shares THE TORONTO STOCK EXCHANGE TRADING HISTORY: 1987–2000

Miles S. Nadal is Chairman of the Board, and Chairman, President and CEO of MDC Corporation Inc. Under Mr. Nadal's leadership, the Company has grown from its start-up in 1980 to a diversified international corporation. Mr. Nadal serves on the boards of several community and charitable organizations, including the Schulich School of Business, Mount Sinai Hospital, and the Baycrest Hospital Board of Governors.

Ronald D. Besse, a Director since 1988, is Chairman and CEO of Canada Publishing Corporation, and Chairman and President of RDB Capital Corporation. Mr. Besse serves on the boards of several Canadian and international companies, including Rogers Communications Inc., and Luxembourg Cambridge Holding Group. He is also Lead Director for C.I. Fund Management Inc.

Thomas N. Davidson, a Director since 1988, is an industrialist and venture capitalist. He is Chairman of the Quarry Hill Group of companies, and is a Director of several Canadian and international companies including Anderson Resources, Derlan Industries Limited and HMI Industries.

Lloyd S.D. Fogler, QC, a Director since 1986, is a senior partner in the law firm of Fogler, Rubinoff, Barristers & Solicitors. Mr. Fogler serves on the boards of several public companies, including Brampton Brick Ltd. and First Mercantile Currency Fund. Mr. Fogler is Chairman Emeritus of Mount Sinai Hospital; Chairman of the Mount Sinai Hospital Foundation of Toronto; and a Director of the Canadian Opera Company.

Anthony M. Frank, a Director since 1998, is the Co-founder, General Partner and Chairman of Belvedere Capital Partners, an investment group headquartered in San Francisco. Mr. Frank has extensive experience in the banking industry and has served in numerous senior executive roles including President and Chairman of Citizens Savings and Loan of San Francisco (now First Nationwide Bank). Mr. Frank also served as the 69th Postmaster General of the United States and was the Chief Executive Officer of the U.S. Postal Service for four years.

Guy P. French, a Director since 1989, has held several senior executive positions in domestic and international consumer goods and industrial products corporations. He is a founding partner of the Toronto-based executive recruiting firm, corso, mizgala + french, which commenced operations in 1992. Mr. French serves on the boards of S.C. Johnson & Son Ltd. and the Toronto School of Theology.

Albert Gnat, QC, a Director since 1998, is a partner in the law firm of Lang Michener, Barristers & Solicitors, and serves on the boards of several Canadian and international organizations. Mr. Gnat specializes in corporate and commercial practice encompassing securities, mergers and acquisitions, and finance transactions, and serves as the senior legal advisor for several major public and private corporations.

Richard R. Hylland is President and Chief Operating Officer of NorthWestern Corporation. Mr. Hylland, who has an extensive background in strategic development, operations and finance, also serves on NorthWestern's board of directors and as Vice-Chairman of NorthWestern Growth; Cornerstone Propane Partners, LLP; Blue Dot; and Expanets. He is Chairman of Franklin Industries and serves on the board of LodgeNet Entertainment Corporation, in addition to other private entities.

Peter M. Lewis, a Director since 1994, is Executive Vice-President and Chief Financial Officer, MDC Corporation Inc. Prior to joining MDC, Mr. Lewis, a chartered accountant, was a partner at Price Waterhouse, consulting in the field of mergers and acquisitions.

Stephen O. Marshall, a Director as of July 1999, is Executive Vice-President, Corporate Development, MDC Corporation Inc. Prior to joining MDC, Mr. Marshall was a senior partner at the Tory law firm, specializing in mergers, acquisitions and financing. He was Managing Partner in their European office in London, England, from 1995 to 1998. Mr. Marshall holds a Masters of Science in management from the MIT Sloan School of Management and a L.L.B. from the University of Western Ontario.

Stephen M. Pustil has been a Director since 1992, and is Vice-Chairman of the Board of MDC Corporation Inc. Mr. Pustil is President of Penwest Development Corporation Ltd., a real estate development and construction firm that he established in 1972. Mr. Pustil, a chartered accountant, also serves as Vice-Chairman on the Board of Mount Sinai Hospital.

François R. Roy joined the Board of Directors in 1998. Mr. Roy is Chief Financial Officer of Telemedia Corporation, having previously served as Executive Vice-President and Chief Financial Officer of Quebecor Inc. Mr. Roy also has had extensive experience in the financial services industry, having served in various executive positions in Toronto, New York, Los Angeles and Montreal.

Graham W. Savage, a Director since 1996, is a principal in Savage Walker Capital Inc., a merchant bank. He was for many years an executive at Rogers Communications Inc., serving from 1989 to 1996 as Chief Financial Officer. Mr. Savage serves on the boards of several companies, including Canadian Tire Corporation Limited, Financial Models Company, and Vitran Corporation Inc.

The Executive Committee

Chairman
Miles S. Nadal

Members
Lloyd S.D. Fogler, QC
Stephen M. Pustil

Responsibilities
During intervals between full meetings of the Board of Directors, the Executive Committee may undertake the business of the Board—excluding responsibilities specified in subsection 127(3) of the Business Corporations Act, 1982 (Ontario)—in all areas where specific direction has not been given by the Board. All expenditures authorized by the Executive Committee are reported to the Board of Directors at its next meeting. The Executive Committee maintains minutes of its meetings which are submitted to the Board for approval.

Specific responsibilities include

- To study and make recommendations to the Board on new policies concerning the orientation, expansion, and development of the Corporation.
- To study and make recommendations on annual and long-term plans for approval by the Board.
- To recommend to the Board annual budget projections.
- To study and recommend to the Board any capital expenditure plans.
- To review operating results for each quarter and the year-to-date.
- To deal with all matters, including guarantees, commitments, purchases of shares or assets for amounts under $500,000.
- To give prior authorization on capital expenditures for amounts of $300,000 or less not included in the annual budget.
- To recommend to the Board all matters concerning a change affecting any of the Corporation's bankers.
- To examine and recommend any proposal involving significant changes in management of the business, major acquisitions, and commitments for investments for reference to the Board.
- Any other responsibilities specifically delegated by the Board.

The Audit Committee

Chairman
Thomas N. Davidson

Members
Lloyd S.D. Fogler, QC
Stephen M. Pustil
Graham W. Savage

Responsibilities

- To review all financial statements, annual and interim, intended for circulation among shareholders and to report upon these to the Board. In addition, the Board of Directors may refer to the Audit Committee on other matters and questions relating to the financial position of the Corporation and its affiliates.

The Corporate Governance Committee

Chairman
Stephen M. Pustil

Members
Ronald D. Besse
Thomas N. Davidson
Graham W. Savage

Responsibilities

- The Corporate Governance Committee is composed of four members, all of whom are unrelated directors. The committee is responsible for reviewing and making recommendations to the Board with respect to developments in the area of corporate governance and the practices of the Board.
- The committee is also responsible for evaluating the performance of the Board as a whole as well as individual Board members and for reporting to the Board with respect to appropriate candidates for nominations to the Board.

The Compensation Committee

Chairman
Stephen M. Pustil

Members
Ronald D. Besse
Thomas N. Davidson

Responsibilities

- To determine the compensation of all senior officers of the Corporation.
- To discuss personnel and human resource matters including recruitment and development, management succession and benefit plans.
- To grant options under the Corporation's Employee Stock Option Incentive Plan.
- In addition, the Board may refer to the Committee other matters and questions relating to compensation of management employees of the Company and its affiliates.

Board of Directors

Chairman
Miles S. Nadal

Members
Ronald D. Besse
Thomas N. Davidson
Lloyd S.D. Fogler, QC
Anthony M. Frank
Guy P. French
Albert Gnat, QC
Richard R. Hylland
Peter M. Lewis
Stephen O. Marshall
Stephen M. Pustil
François R. Roy
Graham W. Savage

Corporate Officers

Corporate

Miles S. Nadal
Chairman, President & Chief Executive Officer

Peter M. Lewis
Executive Vice-President & Chief Financial Officer

Stephen O. Marshall
Executive Vice-President, Corporate Development

Walter Campbell
Senior Vice-President, Finance & Corporate Secretary

Maria Pappas
Assistant Secretary

Maxxcom Inc.
(Marketing Communications Division)

Corporate Officers

Miles S. Nadal
Chairman

Beverley A. Morden
President and Chief Executive Officer

Glenn W. Gibson
Executive Vice-President & Chief Financial Officer

Robert E. Dickson
Executive Vice-President, Corporate Development

Stephen O. Marshall
Executive Vice-President, Corporate Development

Walter Campbell
Vice-President, Finance

Deborah H. Troister
Vice-President, Human Resources

Viki A. Lazaris
Treasurer and Secretary

Secure Transactions Division

John C. Browning
President & Chief Operating Officer, Custom Direct

Robert J. Cronin
President & Chief Operating Officer, MDC Emerging Businesses

M. William Kerson
President & Chief Operating Officer, MDC Stamp & Ticket Group

C. Sanford McFarlane
Chairman & Chief Executive Officer, Davis + Henderson

Gregory J. McKenzie
President & Chief Operating Officer, Metaca Corporation

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Chairman, President & CEO: Miles S. Nadal

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President & COO: William Kerson
General Manager
Ashton-Potter Canada Ltd.: Tom Dopson

Ashton-Potter (USA) Ltd.
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General Manager: Barry Switzer

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Managing Director: Graham Searle

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Fax: (306) 683-0075
President & General Manager: Gordon Bayda

Spectron Security Print Pty Ltd.
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Managing Director: Trevor Marriott

Metaca Corporation
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President & COO: Greg McKenzie

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Fax: 011 613 9 729 8845
Managing Director: Chris Ogilvy

Other

A.E. McKenzie Co. Inc.
30 Ninth Street, Suite 100
Brandon, Manitoba
R7A 6E1
Phone: (204) 571-7500
Fax: (204) 728-8671
President: Michael Fearon

Computer Composition of Canada Inc.
12 Stanley Court
Whitby, Ontario
L1N 8P9
Phone: (905) 430-3400
Fax: (905) 430-2412
President & CEO: Joe Bugelli

Pro-Image Corporation
1805 Loucks Road
York, Pennsylvania
17404
Phone: (717) 764-5880
Fax: (717) 764-6140
President & CEO: Joe Bugelli

Regal Greetings & Gifts
7035 Ordan Drive
Mississauga, Ontario
L5T 1T1
Phone: (905) 670-1126
Fax: (905) 670-1127
Chairman & CEO: Richard Gyde
President & COO: Janice Wadge

Primes de Luxe
909, boul. Pierre-Bertrand, Bureau 100
Ville Vanier, Quebec
G1M 3R9
Phone: (418) 527-4155
Fax: (418) 527-2272

Maxxcom Inc. (Marketing Communications Division)

Head Office
35A Hazelton Avenue
Toronto, Ontario, Canada
M5R 2E3
Phone: (416) 960-6090
Fax: (416) 960-6093
www.maxxcominc.com
President & CEO: Beverley Morden

Maxxcom Integrated Partners

Allard Johnson Communications Inc.
10 Lower Spadina Avenue, Suite 400
Toronto, Ontario M5V 2Z2
Phone: (416) 260-7000
www.allard-johnson.com
President & CEO: Terry Johnson

Ambrose Carr Linton Carroll Inc.
939 Eglinton Avenue East, Suite 203
Toronto, Ontario M4G 4E8
Phone: (416) 425-8200
www.aclc.ca
President & CEO: Esmé Carroll

Colle & McVoy, Inc.
8500 Normandale Lake Blvd., Suite 2400
Minneapolis, Minnesota 55437-3809
Phone: (612) 897-7505
www.collemcvoy.com
President & COO: Phil Johnson

Mackenzie Marketing, Inc.
505 N. Hwy 169, Suite 350
Minneapolis, MN 55441
Phone: (763) 417-7300
www.mackenziemarketing.com
President: Andrew Mackenzie

Cormark MacPhee Communication Solutions (Canada) Inc.
369 York Street, Suite 2A
London, Ontario N6B 3R4
Phone: (519) 673-1380
www.cormark.com
President: David Edward

Campbell & Partners Communications Inc.
43 Front Street East, 4th Floor
Toronto, Ontario M5E 1B3
Phone: (416) 868-9790
President: Barry Campbell

Fletcher Martin Ewing LLC
18 International Boulevard
Atlanta, Georgia 30303
Phone: (404) 221-1188
www.fmeonline.com
President & CEO: Andy Fletcher

Interfocus Network Limited
Lancer Square
London W84ES
Phone: (011-44) 207-376-9000
www.interfocus.co.uk
Chairman & CEO: Matthew Hooper

Margeotes|Fertitta + Partners LLC
411 Lafayette Street
New York, New York 10003
Phone: (212) 979-6600
www.margeotes.com
President & CEO: George Fertitta

Bratskeir & Company, Inc.
419 Park Avenue South
New York, New York 10016
Phone: (212) 679-2233
www.bratskeir.com
President: Stan Bratskeir

Pavlika Chinnici Direct, LLC
411 Lafayette Street
New York, New York 10003
Phone: (212) 260-3736
www.pavlikachinnici.com
CEO: Michael J. Chinnici

Maxxcom Specialized Partners

Direct Marketing/Database Management

Accent Marketing Services, LLC
325 W. Main Street, Suite 1400
Louisville, Kentucky 40202
Phone: (502) 540-5000
www.accentonline.com
CEO: Tom Hansen

TargetCom LLC
444 North Michigan Avenue, 27th Floor
Chicago, IL 60611
Phone: (312) 822-1100
www.targetcom.com
President & CEO: Jay Miller

Bang!Zoom LLC
2600 18th Street, Suite 22
San Francisco, CA 94110-2111
Phone: (415) 216-2100
www.bangzoom.net
President: Patrick Buchanan

E-Telligence LLC
12400 Olive Boulevard, Suite 555
Saint Louis, MO 63141
Phone: (314) 845-0300
www.etelligence.net
President: Patrick Condon

Sales Promotion

Accumark Promotions Group Inc.
240 Duncan Mills Road, Suite 101
North York, Ontario M3B 1Z4
Phone: (416) 446-7758
www.accumarkpg.com
President: Tom Green

Source Marketing LLC
15 Ketchum Street
Westport, Connecticut 06880
Phone: (203) 291-4000
www.sourcemkt.com
President: Howard Steinberg

eSource Drive to Web Marketing LLC
15 Ketchum Street
Westport, Connecticut 06880
Phone: (203) 291-4015
www.sourcemkt.com/serv_esource.html
Managing Partner: Mark Toner

Corporate Communications

Bryan Mills Group Ltd.
1129 Leslie Street
Toronto, Ontario M3C 2K5
Phone: (416) 447-4740
www.bryanmills.com
President & CEO: Nancy Ladenheim

McManus Elliott Communications Inc.
347 Bay Street, Suite 601
Toronto, Ontario M5H 2R7
Phone: (416) 979-8300
www.mcmanuselliott.com
President: Ron MacInnes

News Canada Inc.
111 Peter Street, Suite 404
Toronto, Ontario M5V 2H1
Phone: (416) 599-9900
www.newscanada.com
President & Publisher: Ruth Douglas

Veritas Communications Inc.
161 Eglinton Avenue East, Suite 704
Toronto, Ontario M4P 1J5
Phone: (416) 482-2248
www.veritascanada.com
President & CEO: Jennifer Spencer

Interactive Marketing

CyberSight, LLC
220 NW Second Avenue, Suite 1100
Portland, Oregon 97209
Phone: (503) 228-4008
www.cybersight.com
President & CEO: Andrew Shakman

Research & Consulting

Integrated Healthcare Communications, Inc.
555 Richmond Street West
P.O. Box 204, Suite 918
Toronto, Ontario M5B 3V1
Phone: (416) 504-8733
www.ihc.com
President & CEO: Louise Huneault

Northstar Research Partners Inc.
The Sterling Tower
372 Bay Street, Suite 1600
Toronto, Ontario M5H 2W9
Phone: (416) 907-7100
President: Stephen Tile

Advertising

Crispin Porter + Bogusky LLC
2699 South Bayshore Dr.
Miami, Florida 33133
Phone: (305) 859-2070
www.cpbmiami.com
Chairman: Chuck Porter

Branding & Corporate Identity

Strategies International
135 Berkeley Street
Toronto, Ontario M5A 2X1
Phone: (416) 366-8883
www.si-creative.com
President: Greg Bérubé

Shareholder Information

Legal Counsel
Canada
Fogler, Rubinoff
Toronto, Ontario

USA
Simpson Thacher & Bartlett
New York, New York

Skadden Arps Slate Meagher & Flom
New York, New York

Auditors
BDO Dunwoody LLP

Bankers
Royal Bank of Canada
Canadian Imperial Bank of Commerce
Bank of Nova Scotia
Bank of Montreal
The Toronto Dominion Bank
Caisse de dépôt et placement du Québec
Comerica Bank—Canada
Laurentian Bank of Canada

Transfer Agent
CIBC Mellon Trust Company
CIBC Mellon Trust Company operates a telephone information inquiry line that can be reached by dialing toll-free 1-800-387-0825 or (416) 643-5500.
Correspondence may be addressed to:
MDC Corporation Inc.
c/o CIBC Mellon Trust Company
Corporate Trust Services
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5G 2M7

Investor Relations
For Investor Relations information please call Deborah Thompson, Director of Corporate Communications (416) 960-9000.

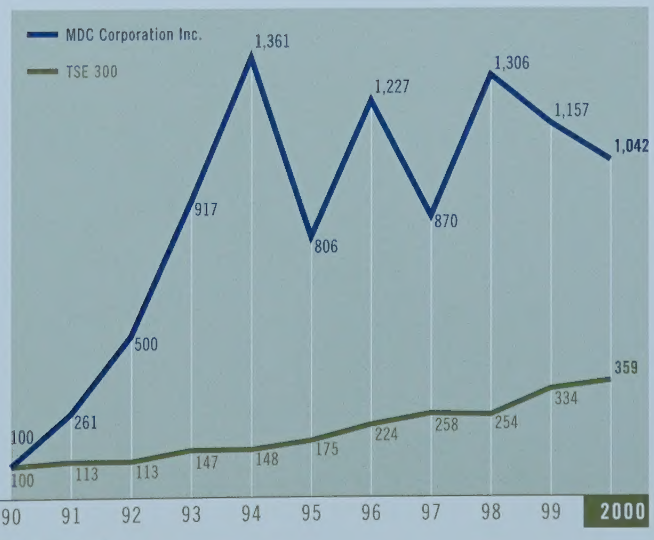
Stock Exchange Listing
The Class A shares of the Company are listed on The Toronto Stock Exchange and on the NASDAQ National Market in the United States.

The Toronto Stock Exchange Trading Symbol
MDZ.A

NASDAQ National Market
MDCA

Notice of Shareholders' Meeting
The annual meeting of shareholders will be held Wednesday, May 23, 2001 at 4:30 p.m. at the Design Exchange, Toronto Dominion Centre, 234 Bay Street, Trading Floor, Toronto, Ontario.

Cumulative Value of $100 Investment



In Canadian dollars, as of each fiscal year end

Design: Bryan Mills Group

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